

MAYER UNIFIED
SCHOOL DISTRICT NO. 43
MAYER, ARIZONA

AUDITED
FINANCIAL STATEMENTS

FOR THE FISCAL YEAR
ENDED JUNE 30, 2014

PREPARED BY:
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MAYER UNIFIED SCHOOL DISTRICT NO. 43
JUNE 30, 2014

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Mayer Unified School District No. 43

Report on Financial Statements

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mayer Unified School District No. 43 (District) as of and for the year ended June 30, 2014, 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 U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

My responsibility is to express opinions on these basic financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Governmental 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 evaluation the appropriateness of accounting policies used and the reasonableness 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 my 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 the Mayer Unified School District No. 43 as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

Emphasis of Matter

For the year ended June 30, 2014, the District implemented the provisions of GASB Statements No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 reclassifies certain items that were previously reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources and recognizes certain other items that were previously reported as assets and liabilities as revenues and expenses.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 3 to 10 and the Budgetary Comparison Schedules on pages 34 to 37 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 U.S. generally accepted auditing standards, which consisted of inquires 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 we 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.

Supplementary Information - Schedule of Expenditures of Federal Awards

My audit was conducted for the purpose of forming my opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 U.S. generally accepted auditing standards. In my opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my reports dated February 23, 2015, on my consideration of the 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 the District's internal control over financial reporting and compliance.

Connie A Sauvageau

Connie A. Sauvageau
Certified Public Accountant

February 23, 2015
Phoenix, AZ

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
(Required Supplementary Information)

MAYER UNIFIED SCHOOL DISTRICT NO. 43

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Dean Slaga, Superintendent
Anna Puett, Human Resources Director
Lynn Drye, Finance Director
Jane Fielding, Accounting Specialist

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MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) YEAR ENDED JUNE 30, 2014

Our discussion and analysis of the District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2014. Please read in conjunction with the basic financial statements and also review the notes to the basic financial statements.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2014 are as follows:

- Mayer Unified School District received \$123,918 of building renewal grant funds from the state for capital needs associated with building improvements.
- The soft capital allocation fund was eliminated and carryover funds were transferred to the Maintenance and Operations fund. In addition, the District's Additional Assistance was reduced by \$89,631.
- Mayer Unified School District received approximately \$38,175 from the Mountain Institute Joint Technology Education District for support of vocational programs.
- Mayer Unified School District received \$25,000 for Education of Homeless Children.
- The District also received approximately \$61,253 for its 21st Century grant program to offer extended school hours for instructional programs.
- Mayer Unified School District received \$52,210 in National Forest Fees and \$68,197 for a School Safety Resource Officer.
- Mayer Unified School District increased its budget by \$261,765 to reflect an increase of approximately 11.6% in ADM over the previous fiscal year.
- Mayer Unified School District increased its budget \$59,120 for an increase in tuition revenue from Canon School District.

MAYER UNIFIED SCHOOL DISTRICT NO. 43
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The accrual basis of accounting is used for the government-wide financial statements.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues. The governmental activities of the District include instruction, support services, operation and maintenance of plant services, student transportation services, and interest on long-term debt.

Fund financial statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements use the modified accrual basis of accounting and focus on near-term inflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

MAYER UNIFIED SCHOOL DISTRICT NO. 43
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014

OVERVIEW OF FINANCIAL STATEMENTS

Fund financial statements (Continued)

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Classroom Site Funds, Food Service Fund, and Unrestricted Capital Outlay Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. Due to their custodial nature, the fiduciary funds do not have a measurement focus.

Notes to financial statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Other information In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the District's budget process. The District adopts an annual expenditure budget for all governmental funds. A schedule of revenues, expenditures and changes in fund balances - budget and actual has been provided for the General fund and each major Special Revenue fund as required supplementary information.

Single audit reports are presented immediately following the required supplementary information on budgets. Single audit reports and schedules can be found on pages 38-46 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets/position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$6.6 million at the current fiscal year end.

By far the largest portion of the District's net position (74.6 percent) is reflected in its investment capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. In addition, a portion of the District's net position (8.4 percent) are restricted by statute for the specific purposes of debt service repayment, teacher pay increases, capital outlay investment, and other.

MAYER UNIFIED SCHOOL DISTRICT NO. 43
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table presents a summary of the District's net assets for the fiscal years ended June 30, 2013 and June 30, 2014.

Assets:	<u>Amount</u>	<u>Amount</u>
Current and other assets	\$ 2,063,355	\$ 1,993,728
Non-Current Assets	<u>7,336,950</u>	<u>7,256,639</u>
Total Assets	<u>9,400,305</u>	<u>9,250,367</u>
Liabilities:		
Current liabilities	297,360	348,604
Non-current portion of long-term obligations	<u>2,358,188</u>	<u>2,317,204</u>
Total Liabilities	<u>2,655,548</u>	<u>2,665,808</u>
Net Position:		
Investment in Capital Assets, net of debt	4,945,167	4,911,357
Restricted	795,365	550,847
Unrestricted	<u>1,004,225</u>	<u>1,122,355</u>
Total Net Position	<u>\$ 6,744,757</u>	<u>\$ 6,584,559</u>

At the end of the current fiscal year the District reported positive balances in all three categories of net position/assets. The same situation held true for the prior fiscal year.

The District's financial position is the product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

The following are significant current year transactions that had an impact on the Statement of Net Position.

- The addition of \$417,378 in capital assets through new school improvements and purchases of vehicles, furniture, and equipment.
- Of that, \$121,144, was related to adding a new Blue Bird Bus financed through a capital lease- purchase agreement.

MAYER UNIFIED SCHOOL DISTRICT NO. 43
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Changes in Net Position. The District's total revenues for the current fiscal year, were \$5.4 million. The total cost of all programs and services was \$5.6 million. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2014 and June 30, 2013.

	2014	2013	%
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 359,490	\$ 450,820	(20.26)
Operating and capital grant and contributions	1,127,674	1,277,076	(11.70)
General revenues:			
Property taxes	1,429,387	1,560,242	(8.39)
Sales taxes	222,977	194,606	14.58
Investment earnings	9,593	3,715	158.22
County aid	484,699	427,169	13.47
State aid	1,857,913	1,512,348	22.85
Disposal of assets	(77,873)	-	(100.00)
Other	-	4,321	(100.00)
Total revenues	<u>5,413,860</u>	<u>5,430,297</u>	(.03)
Expenses:			
Instruction	2,470,181	2,089,407	18.22
Support services - students	367,377	319,784	14.88
Support services - staff	215,845	199,196	8.36
Support services - administration	429,582	395,266	8.68
Central & other support services	280,367	216,756	29.35
Operations and maintenance of plant services	705,639	667,291	5.75
Student transportation services	545,501	581,887	(6.25)
Operation of non-instructional services	278,875	356,339	(21.74)
Facilities acquisition & construction, not capitalized	173,412	261,265	(33.63)
Interest on long-term debt	107,279	103,451	3.70
Total expenses	<u>5,574,058</u>	<u>5,190,642</u>	7.39
Increase (decrease) in net position	<u>\$ (160,198)</u>	<u>\$ 239,655</u>	(166.85)

The following are significant current year transactions that have had an impact on the change in net position.

- The decrease of \$149,402 in federal and state grant and contributions revenue is a result of a decrease in E-rate funded projects.
- The decrease of \$130,855 in property tax revenue as a result of a increased State Aid for transportation.
- The increase of \$345,565 in State Aid is a result of a increase in ADM, the receipt of growth funds, and additional transportation route miles.
- The increase of \$28,371 in State Sales Tax is a result of a increase in ADM. The increase of \$3,828 in interest expense is due to entering into a new capital lease agreements for the purchase of a bus.
- The increase of \$383,416 in expenses is primarily due to adding teaching staff due the 11.6% increase in ADM.

MAYER UNIFIED SCHOOL DISTRICT NO. 43
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Government Activities. The following table presents the cost of the nine major District functional activities: instruction, support services - students and staff, support services - administration, central and other support services, operation and maintenance of plant services, student transportation services, operation of non-instructional services, facilities acquisition, and interest on long-term debt. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and District's taxpayers by each of these functions.

	<u>Year Ended June 30, 2014</u>		<u>Year Ended June 30, 2013</u>	
	Total	Net (Expense)/	Total	Net (Expense)/
	<u>Expenses</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Revenues</u>
Instruction	\$ 2,470,181	\$ (1,797,303)	\$ 2,089,407	\$(1,430,120)
Support services:				
Students & Staff	583,222	(396,977)	518,980	(403,087)
Administration	429,582	(337,448)	395,256	(281,776)
Central & other support services	280,367	(240,497)	216,756	(179,992)
Operations and maintenance of plant services	705,639	(594,361)	667,291	(468,522)
Student transportation services	545,501	(532,607)	581,887	(540,379)
Operation of non-instructional services	278,875	(74,287)	356,339	(63,577)
Facilities acquisition, not capitalized	173,412	(6,135)	261,265	(2,360)
Interest on long-term debt	<u>107,279</u>	<u>(107,279)</u>	<u>103,451</u>	<u>(103,451)</u>
Total expenses	<u>\$ 5,574,058</u>	<u>\$ (4,086,894)</u>	<u>\$ 5,190,642</u>	<u>\$ (3,462,746)</u>

- The cost of all governmental activities this year was \$5.6 million.
- Federal and State governments and charges for services subsidized certain programs with grants and contributions and other local revenues of \$ 1.5 million.
- Net cost of governmental activities of \$ 3.9 million was financed by general revenues, which are made up of primarily property taxes \$ 1.4 million and state aid of \$ 1.9 million.

The cost of all governmental activities are financed by general revenues for the June 30, 2014 and June 30, 2013 year ends as follows:

	<u>2014</u>	<u>2013</u>	<u>% Change</u>
Property taxes	\$ 1,429,387	\$ 1,560,242	(8.39)
Sales taxes	222,977	194,606	14.58
Investment earnings	9,593	3,715	158.22
County equalization	484,699	427,169	13.47
State equalization assistance & additional state aid	1,857,913	1,512,348	22.85
Disposal of assets	(77,873)	-	(100.00)
Other	-	4,321	(100.00)
Total general revenues	<u>\$ 3,926,696</u>	<u>\$ 3,702,401</u>	6.06

MAYER UNIFIED SCHOOL DISTRICT NO. 43
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds. As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in accessing the District's financing requirements.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$1.8 million, an increase of \$7,039 due primarily to the decrease in revenues (state & county aid, and sales taxes). Likewise, expenditures decreased, the net increase was a result of spending less than the revenues received. The General Fund comprises 42.4 percent of the total fund balance. Approximately \$656,269, or 88.3 percent of the General Fund's fund balance, constitutes unassigned fund balance. The remaining fund balance of \$86,779 is unspendable for prepaid items and it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The increase in fund balance of \$452,584 to \$743,048 was a result of a transfer from the closed Soft Capital Allocation fund of \$141,757 and a transfer to the Energy and Water Savings fund for \$40,917, and closely matching the revenues and General Fund expenditures. General Fund revenues increased \$152,249 as a result of increased state & county aid and tuition. General Fund expenditures increased \$286,003 mostly as a result of increased instruction, administration, central and other support services, and operation and maintenance of plant expenses.

GENERAL FUND BUDGET HIGHLIGHTS

Over the course of the year, the District revised the General Fund annual expenditure budget for changes in state funding. The difference between the original budget and the final amended budget had a \$10,759 increase, or less than .03 percent.

Significant variances for the final amended budget and actual revenues resulted from the District not being required by the State of Arizona to prepare a revenue budget. A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund is provided in this report as required supplementary information.

DEBT ADMINISTRATION

Debt Administration. At the year-end, the District had \$2.5 million in long-term debt outstanding, \$168,604 due within one year. This represents a net increase of \$121,144 primarily due to the District obtaining a bus with a long-term capital lease-purchase agreement.

The District's general obligation bonds are subject to two limits: the Constitutional debt limit (total debt limit) on all general obligation bonds (up to 30 percent of the total secondary assessed valuation) and the statutory debt limit on Class B bonds (the greater of 20 percent of the secondary assessed valuation or \$1,500 per student). The current total debt limitation for the District is \$10,711,742 and the Class B debt limit is \$7,141,162, which are more than the District's total outstanding general obligation and Class B debt, respectively.

MAYER UNIFIED SCHOOL DISTRICT NO. 43
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014

CAPITAL ASSETS

Capital Assets. As of June 30, 2014, the District had invested \$11.9 million in capital assets, including land and improvements, school buildings, athletic facilities, buses and other vehicles, computers, and other equipment. This amount represents a net increase prior to depreciation of \$224,022 from the prior fiscal year, primarily due to the lease-purchase of a bus and the installation of a new roof and HVAC units with School Facilities Building Renewal grant funds. Total depreciation expense for the year was \$414,415.

The following schedule presents a summary of net of depreciation capital asset balances for the fiscal years ended June 30, 2014 and June 30, 2013.

	<u>2014</u>	<u>2013</u>
Construction in progress	-	\$ 5,949
Land and improvements	\$ 925,535	850,655
Buildings and improvements	5,304,327	5,421,140
Furniture, equipment, and vehicles	<u>1,026,777</u>	<u>1,059,206</u>
Totals	<u>\$ 7,256,639</u>	<u>\$ 7,336,950</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Many factors were considered by the District's administration during the process of developing the fiscal year 2014-2015 budget. Among them:

- An increase in the base support level of 1.4% for student funding. (From \$3,368.12 to \$3,415.27)
- An increase in ADM of 11.6% for K-12 student population.
- An decrease in tuition revenue of approximately \$28,793.
- A budget balance carry-forward of approximately \$140,000.
- A decrease in property valuations for current and prior years due to the settlement of litigation with Transwestern Pipeline.

Also considered in the development of the budget is the local economy and inflation of the surrounding area. Budgeted expenditures in the General fund increased from \$3.64 million to \$ 3.97 million in fiscal year 2014-2015. Increased enrollment is the primary reason for the increase. State aid and property taxes are expected to be the primary funding source. No new programs were added to the 2014-2015 budget.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lynn Drye, Finance Director, P.O. Box 1059, Mayer, Arizona 86333.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

MAYER UNIFIED SCHOOL DISTRICT NO. 43
STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 1,783,457
Receivables (net of allowance for uncollectibles):	
Property taxes	77,384
Due from other governments	31,792
Prepaid items	101,095
Capital assets, not being depreciated	279,998
Capital assets, being depreciated, net	<u>6,976,641</u>
Total assets	<u>\$ 9,250,367</u>
LIABILITIES	
Accounts payable	\$ 180,000
Noncurrent liabilities:	
Due within 1 year	168,604
Due in more than 1 year	<u>2,317,204</u>
Total liabilities	<u>2,665,808</u>
NET POSITION	
Net Investment in capital assets, net of related debt	4,911,357
Restricted for:	
Debt Service	8,892
Capital projects	52,572
Teacher pay increases	193,527
Other purposes	295,856
Unrestricted	<u>1,122,355</u>
Total net position	<u>\$ 6,584,559</u>

The notes to financial statements are an integral part of this statement.

MAYER UNIFIED SCHOOL DISTRICT NO. 43
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net Expense and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:					
Instruction	\$ 2,470,181	\$ 245,212	\$ 427,666	\$ -	\$ (1,797,303)
Support services:					
Students	367,377	3,038	90,469	-	(273,870)
Staff	215,845	1,767	90,971	-	(123,107)
Administration	429,582	26,114	66,020	-	(337,448)
Central & other support services	280,367	17,410	22,460	-	(240,497)
Operation & maintenance of plant	705,639	11,303	99,975	-	(594,361)
Student transportation services	545,501	8,712	4,182	-	(532,607)
Operation of non-instructional services	278,875	33,379	171,209	-	(74,287)
Facilities acquisition & construction	173,412	12,555	30,804	123,918	(6,135)
Interest on long-term debt	<u>107,279</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(107,279)</u>
Total governmental activities	<u>\$ 5,574,058</u>	<u>\$ 359,490</u>	<u>\$ 1,003,756</u>	<u>\$ 123,918</u>	<u>\$ (4,086,894)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purposes					1,288,450
Property taxes, levied for debt service					140,937
Shared revenue - state sales taxes					222,977
Intergovernmental revenues not restricted:					
Yavapai County					484,699
State					1,857,913
Investment earnings					9,593
Loss on disposal of capital assets					<u>(77,873)</u>
Subtotal, general revenues					<u>3,926,696</u>
Change in net position					(160,198)
Net position, beginning of year					<u>6,744,757</u>
Net position, end of year					<u>\$ 6,584,559</u>

The notes to financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

MAYER UNIFIED SCHOOL DISTRICT NO. 43
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014

	<u>General Fund</u>	<u>Classroom Site Funds</u>	<u>Food Service Fund</u>	<u>Unrestricted Capital Outlay Fund</u>
ASSETS				
Cash and investments	\$ 783,193	\$ 193,527	\$ 66,146	\$ 60,952
Property taxes receivable	66,014			3,474
Due from other governments	7,771			7,758
Prepaid items	<u>82,749</u>		<u>14,316</u>	
Total assets	<u>\$ 939,727</u>	<u>\$ 193,527</u>	<u>\$ 80,462</u>	<u>\$ 72,184</u>
 LIABILITIES:				
Liabilities:				
Accounts payable	\$ 150,000			\$ 30,000
Total liabilities	<u>150,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>30,000</u>
 DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue:				
Property taxes	<u>50,709</u>			<u>2,669</u>
Total deferred inflows of resources	<u>50,709</u>	<u>0</u>	<u>0</u>	<u>2,669</u>
 FUND BALANCES:				
Nonspendable	82,749		14,316	
Restricted		193,527	66,146	
Assigned				39,515
Unassigned	<u>656,269</u>			
Total fund balances	<u>739,018</u>	<u>193,527</u>	<u>80,462</u>	<u>39,515</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 939,727</u>	<u>\$ 193,527</u>	<u>\$ 80,462</u>	<u>\$ 72,184</u>

The notes to financial statements are an integral part of this statement.

Non-Major Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
\$ 679,639	\$ 1,783,457
7,896	77,384
16,263	31,792
<u>4,030</u>	<u>101,095</u>
<u>\$ 707,828</u>	<u>\$ 1,993,728</u>

<u> </u>	\$ <u>180,000</u>
\$ <u> 0</u>	<u>180,000</u>

<u>6,064</u>	<u>59,442</u>
<u>6,064</u>	<u>59,442</u>

4,030	101,095
191,210	450,883
48,956	88,471
<u>457,568</u>	<u>1,113,837</u>
<u>701,764</u>	<u>1,754,286</u>
<u>\$ 707,828</u>	<u>\$ 1,993,728</u>

MAYER UNIFIED SCHOOL DISTRICT NO. 43
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
- GOVERNMENTAL FUNDS
JUNE 30, 2014

Fund balances - total governmental funds		\$ 1,754,286
Amounts reported for <i>governmental activities</i> in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Governmental capital assets	\$ 11,886,555	
Less accumulated depreciation	<u>(4,629,916)</u>	7,256,639
Some revenues will not be available to pay for current period expenditures and, therefore, are deferred in the funds.		
		59,442
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Bonds payable	\$ (1,575,000)	
Compensated absences payable	(140,526)	
Obligations under capital leases	<u>(770,282)</u>	<u>(2,485,808)</u>
Net position of governmental activities		\$ <u>6,584,559</u>

The notes to financial statements are an integral part of this statement.

MAYER UNIFIED SCHOOL DISTRICT NO. 43
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	General <u>Fund</u>	Classroom Site <u>Funds</u>	Food Service <u>Fund</u>	Unrestricted Capital Outlay <u>Fund</u>
Revenues:				
Other local	\$ 185,067		\$ 18,908	\$ 13,275
Investment earnings	4,941	\$ 765	245	205
Property taxes	1,233,073			66,131
Sales taxes		222,977		
State and County aid and grants	2,224,937			125,433
Federal aid, grants, and reimbursements			<u>264,095</u>	
Total revenues	<u>3,648,018</u>	<u>223,742</u>	<u>283,248</u>	<u>205,044</u>
Expenditures:				
Current:				
Instruction	1,525,473	196,219		
Support services:				
Students	272,534			
Instructional staff	123,107			
Administration	346,765		30,000	
Central & other support services	222,805			
Operation & maintenance of plant	507,370			
Student transportation services	462,189			
Operation of non-instructional services	5,190		247,311	
Capital Outlay				395,563
Debt service:				
Interest and fiscal charges				5,366
Principal retirement				<u>55,837</u>
Total expenditures	<u>3,465,433</u>	<u>196,219</u>	<u>277,311</u>	<u>456,766</u>
Excess(deficiency) of revenues over expenditures	<u>182,585</u>	<u>27,523</u>	<u>5,937</u>	<u>(251,722)</u>
Other financing sources (uses):				
Transfers In (Out)	100,840			
Capital lease agreements				<u>121,144</u>
Total other financing sources and uses	<u>100,840</u>	<u>-</u>	<u>-</u>	<u>121,144</u>
Net changes in fund balances	<u>283,425</u>	<u>27,523</u>	<u>5,937</u>	<u>(130,578)</u>
Fund balances, July 1, 2013	452,584	166,004	74,525	170,093
Changes in nonspendable resources:				
Increase (decrease) in prepaid items	<u>3,009</u>			
Fund balances, June 30, 2014	<u>\$ 739,018</u>	<u>\$ 193,527</u>	<u>\$ 80,462</u>	<u>\$ 39,515</u>

The notes to the financial statements are an integral part of this statement.

Non-Major Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
\$ 134,482	\$ 351,732
3,437	9,593
140,937	1,440,141
	222,977
254,124	2,604,494
<u>609,455</u>	<u>873,550</u>
<u>1,142,435</u>	<u>5,502,487</u>
500,983	2,222,675
93,507	366,041
92,738	215,845
52,817	429,582
39,870	262,675
111,278	618,648
7,902	470,091
15,972	268,473
189,826	585,389
101,913	107,279
<u>111,808</u>	<u>167,645</u>
<u>1,318,614</u>	<u>5,714,343</u>
<u>(176,179)</u>	<u>(211,856)</u>
(100,840)	-
	<u>121,144</u>
<u>(100,840)</u>	<u>121,144</u>
<u>(277,019)</u>	<u>(90,712)</u>
974,753	1,837,959
<u>4,030</u>	<u>7,039</u>
<u>\$ 701,764</u>	<u>\$ 1,754,286</u>

MAYER UNIFIED SCHOOL DISTRICT NO. 43
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
- GOVERNMENTAL FUNDS
JUNE 30, 2014

Net changes in fund balance - total governmental funds \$ (90,712)

Amounts reported for *governmental activities* in the Statement of Activities are different because:

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense.

Expenditures	\$ 411,977	
Less current year depreciation	<u>(414,415)</u>	(2,438)

Some revenues reported in the statement of activities do not provide current financial resources and therefore, are not reported as revenues in the governmental funds.

Property taxes		(10,754)
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In the Statement of Activities, on the gain/loss on disposal of assets is reported, whereas in governmental funds, the loss from the disposal decreased financial resources. Thus, the change in net position differs from the change in fund balance by the book value of capital assets disposed.

(77,873)

Repayment of long-term debt principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Capital lease principal retirement	77,645	
Bond principal retirement	<u>90,000</u>	167,645

Debt proceeds -Capital lease provide current financial resources to governmental funds, but obtaining debt increases long-term liabilities in the Statement of Net Position.

Debt incurred - Capital Lease Obligation		(121,144)
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Some cash outlays, such as purchases of inventories, are reported as expenditures in the governmental funds when purchased. In the Statement of Activities, however, they are reported as expenses when consumed.

Increase in prepaid items		7,039
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds

Compensated absences		<u>(31,961)</u>
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Change in net position in governmental activities		<u>\$ (160,198)</u>
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The notes to the financial statements are an integral part of this statement.

MAYER UNIFIED SCHOOL DISTRICT NO. 43
STATEMENT OF FIDUCIARY NET POSITION -
FIDUCIARY FUNDS
JUNE 30, 2014

	Agency <u>Fund</u>
ASSETS	
Cash and cash equivalents	\$ <u>155,210</u>
Total assets	\$ <u><u>155,210</u></u>
LIABILITIES	
Accounts Payable	\$ 144,944
Due to student groups	<u>10,266</u>
Total liabilities	\$ <u><u>155,210</u></u>

NOTES TO FINANCIAL STATEMENTS

MAYER UNIFIED SCHOOL DISTRICT NO. 43
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Mayer Unified School District No. 43's accounting policies conform to generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB).

For the year ended June 30, 2014, the District implemented the provisions of GASB Statements No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 reclassifies certain items that were previously reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources and recognizes certain other items that were previously reported as assets and liabilities as revenues and expenses.

A. Reporting Entity

The District is a special-purpose government that is governed by a separately elected governing body. The Governing Board is organized under Section 15-321 of the Arizona Revised Statutes (A.R.S.). Management of the District is independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the District's financial statements present only the activities of those organizational entities for which its elected governing board is financially accountable. The District's major operations include education, pupil transportation, construction and maintenance of District facilities, food services, and athletic activities.

The membership of the Governing Board consists of five members elected by the public. Under existing statutes, the Governing Board's duties and powers include, but are not limited to, the acquisition, maintenance and disposition of school property; the development and adoption of a school program; and the establishment, organization and operations of schools. The Board also has broad financial responsibilities, including the approval of the annual budget, and the establishment of a system of accounting and budgetary controls. The County Treasurer collects taxes for the District, but exercises no control over its expenditures.

B. Basis of Presentation

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the District as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the information's usefulness.

Government-wide statements - provide information about the primary government (the District). The statements include the statement of net position and the statement of activities. These statements report the overall government's financial activities, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the District. Governmental activities are generally financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties. The District had no business-type activities or component units during the fiscal year.

MAYER UNIFIED SCHOOL DISTRICT NO. 43
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Government-wide statements (Continued)

A statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities and segment of its business-type 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 to programs or functions. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided; 2) operating grants and contributions, and 3) capital grants and contributions. Revenues that are not classified as program revenues, including internally dedicated resources and all taxes, State and County aid, and other items, are reported as general revenues.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double-counting of internal activities. However, charges for interfund services provided and used are not eliminated if the prices approximate their external exchange values.

Fund financial statements - provide information about the District's funds, including fiduciary funds. Separate statements are presented for the governmental and fiduciary fund categories. The emphasis of fund financial statements is on major governmental funds rather than reporting funds by type. Each major fund is presented in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Fiduciary funds are aggregated and reported by fund type.

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources used for maintenance and operation, except those required to be accounted for in other funds. It is described as the Maintenance and Operation Fund by A.R.S. and is budgeted within four subsections titled regular education programs, special education programs, pupil transportation, and K-3 reading program.

The *Classroom Site Funds* accounts for the financial activity of six-tenths of one percent increase in state sales tax due to the passage of Proposition 301, in which the funds are to be used for teacher salary increases.

The *Food Services Fund* accounts for the financial operations of preparing and serving regular and incidental meals and snacks in connection with school functions.

The *Unrestricted Capital Outlay Fund* accounts for transactions relating to the acquisition of items by items by purchase, lease-purchase, or lease as prescribed by A.R.S. §15-903(C).

Revenue Include equalization assistance, tuition, property taxes, and interest on investments. Expenditures include land, buildings, and improvements to land and buildings, including labor and related employee benefit costs and material costs if the work is performed by district employees; furniture, furnishings, athletic equipment, and other equipment, including computer software; pupil and nonpupil transportation vehicles and equipment, including all capital expenditures within a contract if a district contracts for pupil transportation; textbooks and related printed subject matter materials adopted by the governing board; instructional aids; library books; payment of principal and interest on bonds; district administration emergency needs that are directly related to pupils.

MAYER UNIFIED SCHOOL DISTRICT NO. 43
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund financial statements (Continued)

Additionally, the District reports the following fund types:

The *Agency Funds* account for assets held by the District on behalf of others and includes the Student Activities Fund, Health Insurance Premium Funds, and Payroll Tax funds which account for monies raised by students to finance student clubs and organizations; and for the health insurance premiums paid by the District and amounts withheld from employees checks, payroll taxes and retirement withheld from employees, and COBRA payments, respectively.

Non-major governmental funds are aggregated and presented in a single column. The District reports the following non-major governmental funds:

The *Bond Building Fund* -accounts for proceeds from District bond issues that are used for acquiring or leasing school sites; constructing or renovating school buildings; supplying school buildings with furniture, equipment, and technology; improving school grounds; purchasing pupil transportation vehicles; or paying of existing bonded indebtedness in accordance with A.R.S. §15-491(A)(3). Interest earned on investments must be used to reduce outstanding bonded indebtedness, unless a District requests the monies be deposited in the Bond Building Fund or the voters authorized the interest to be credited to the Bond Building Fund in a separate question in a bond election. If there is no outstanding bonded indebtedness, such interest should be transferred to the Maintenance and Operation Fund, A.R.S. §15-1024.

The *Energy & Water Savings Fund* - Accounts for capital investment monies, energy-related rebate or grant monies, and monies from other funding sources, including clean renewable energy bonds, to fund energy or water saving projects in school facilities in accordance with A.R.S. §15-910.02. This fund also accounts for monthly payment amounts transferred to the EWS Fund from the Maintenance and Operation Fund. Any monies associated with an energy or water savings project remaining in the fund after capital investment monies are repaid in full may also be transferred to the Maintenance and Operation Fund.

The *Building Renewal Grant Fund* - accounts for grant monies received from the School Facilities Board that are used for infrastructure or for major upgrades, repairs, or renovations to areas, systems, or buildings that will maintain or extend their useful life.

The *Special Projects Funds* account for the revenues and expenditures of state and federally funded projects.

The *Debt Service Fund* - accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Other funds account for the revenues and expenditures of the following activities or objectives: school plant fund, auxiliary operations, extracurricular activities fees tax credit, community school, gifts and donations, fingerprinting, insurance proceeds, textbooks, litigation recovery, indirect costs, unemployment insurance, insurance refund, and joint technology education district.

MAYER UNIFIED SCHOOL DISTRICT NO. 43
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

The government-wide and fiduciary funds financial statements are reported using the economic resources measurement focus, with the exception of the agency funds, and the accrual basis of accounting. The agency funds are custodial in nature and do not have a measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities. Revenues are recorded when earned, and expenses are recorded when the liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenues in the year for which they are levied. Grants and donations are recognized as revenue as soon as all eligibility requirements the provider imposed have been met.

Under the terms of grant agreements, the District funds certain programs by a combination of grants and general revenues. Therefore, when program expenses are incurred, there are both restricted and unrestricted resources available to finance the program. The District applies grant resources to such programs before using general revenues. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if they are collected within 60 days after year-end. The District's major revenue sources that are susceptible to accrual are property taxes, tuition, intergovernmental grants and aids, and investment earnings. 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 are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

Food services and miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash.

D. Cash and Investments

A.R.S. authorizes the District to invest public monies in the State Treasurer's Local Government Investment Pool, the County Treasurer's investment pool, interest-bearing savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; bonds or other obligations of the U.S. government that are guaranteed as to principal and interest by the U.S. government; and bonds of the State of Arizona counties, cities, towns, school districts, and special districts as specified by statute. All investments are stated at fair value.

A.R.S. require the District to involuntarily deposit certain cash with the County Treasurer. That cash is pooled for investment purposes. Interest earned from the investments purchased with pooled monies is allocated to each of the District's funds based on average balances.

MAYER UNIFIED SCHOOL DISTRICT NO. 43
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Inventories

The District accounts for its inventories in the governmental funds using the purchase method. Inventories of governmental funds consist of expendable supplies held for consumption and are recorded as expenditures at the time of purchase. Amounts on hand at year-end were immaterial and are not shown on the balance sheet.

F. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are recorded as expenses when consumed in the government-wide financial statements. Prepaid items are recorded as expenditures when purchased in the fund financial statements are shown on the balance sheet as an asset for informational purposes only and as Nonspendable fund balance to indicate that they do not constitute "available spendable resources."

G. Property Tax Calendar

The Yavapai County Treasurer is responsible for collecting property taxes for all governmental entities within the County. The County levies real and personal property taxes on or before the third Monday in August, which become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. Pursuant to A.R.S., a lien against assessed real and personal property attaches on the first day of January preceding assessment and levy.

H. Investment Earnings

Investment earnings is composed of interest, dividends, and net changes in the fair value of applicable investments.

I. Receivables and Payables

During the course of operations, individual funds within the District's pooled cash accounts may borrow money from the funds within the pool on a short-term basis. These receivable and payables are classified as "due to other funds" or "due from other funds" on the balance sheet of the fund financial statements and are eliminated in the preparation of the government-wide financial statements.

Property taxes receivable are shown net of an allowance for uncollectibles.

MAYER UNIFIED SCHOOL DISTRICT NO. 43
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets

Capital assets, which include land and improvements, buildings and improvements, vehicles, furniture, and equipment are reported in the government-wide financial statements. Such assets are recorded at actual cost, or estimated historical cost if purchase records are not available. Donated capital assets are recorded at the estimated fair value at the time received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized and are expensed as incurred.

Capitalization thresholds (the dollar values above which asset acquisitions are added to capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements are as follows.

	<u>Estimated Useful Life</u>	<u>Depreciation Method</u>	<u>Capitalization Threshold</u>
Land Improvements	20 - 30 years	straight-line	\$ 5,000
Buildings and improvements	10 - 60 years	straight-line	\$ 5,000
Vehicles, furniture, equipment, and software	5 - 20 years	straight-line	\$ 5,000

K. Compensated Absences

Compensated absences consist of vacation leave and sick leave/paid time off employees earned based on services already rendered. Employees may accumulate up to 1,000 hours of paid time off, depending on years of service. Vacation may accumulate up to 280 hours, depending upon employment classification. Generally sick leave/paid time off benefits provide for ordinary sick pay and are paid one-half of the substitute pay rate upon termination of employment or retirement for employees.

Accordingly, the current and long-term liabilities, included related benefits, for accumulated vacation and sick/paid time off benefits are reported on the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations, and retirements. Repayment of the compensated absences is made by the General and Special Revenues Funds.

L. Long-term Obligations

In the government-wide financial statements, long-term debt, and other long-term obligations are reported as liabilities on the statement of net position. In the fund financial statements, the General Fund governmental fund is typically used to liquidate other long-term liabilities such as compensated absences, and the Capital Projects funds are typically used to liquidate other long-term liabilities such as capital lease obligations.

MAYER UNIFIED SCHOOL DISTRICT NO. 43
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Net Position

In the government-wide financial statements, the elements of net positions are reported in three categories: net investment in capital assets, net of related debt; restricted; and unrestricted. Net position investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of bonds, mortgages, notes and capital lease obligations, that are attributed to the acquisition, construction, or improvements of those assets. Restricted element of net position account consist of restricted by parties outside of the District assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted element of net position is the remaining net assets not included in the previous two categories.

N. Deferred Outflows/Inflows of Resources

The statement of net position and balance sheet include separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense of expenditure in future periods. Deferred inflows of resources represent an acquisition of net position or fund balance that applies to future periods and will be recognized as a revenue in future periods.

O. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

P. Fund Balance Classifications

The governmental funds' fund balances are reported separately within classifications based on a hierarchy of the constraints placed on those resources' use. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form such as inventories, or are legally or contractually required to be maintained intact. Restricted fund balances are those that have externally imposed restrictions in their usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations.

The unrestricted fund balance category is comprised of committed, assigned, and unassigned resources. Committed fund balances are self-imposed limitations the District's Governing Board approved, which is the highest level of decision-making authority within the District. Only the Governing Board can remove or change the constraints placed on committed fund balances.

Assigned fund balances are resources constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The Governing Board has authorized the Superintendent to make assignments of resources for a specific purpose.

MAYER UNIFIED SCHOOL DISTRICT NO. 43
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Fund Balance Classifications (Continued)

The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned.

When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, it's the District's procedure to use restricted fund balance first. For the disbursement of unrestricted fund balances, it's the District's procedure to use committed amounts first, followed by assigned amounts, and lastly unassigned amounts.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information - The District operates within the budget requirements for school districts as specified by State law and is interpreted by the Arizona Department of Education and the Auditor General. The financial reports reflect the following budgetary standards.

For the fiscal year beginning July 1, a proposed expenditure budget is presented by the Governing Board to the County School Superintendent and/or the Superintendent of Public Instruction on or before July 5. The proposed expenditure budget is submitted electronically to the Arizona Department of Education, together with a notice of public hearing.

Once adopted, the expenditure budget can be revised only by the Governing Board for specific reasons set forth in the A.R.S. The budget was increased in fiscal year 2013-2014. However, the revision was insignificant. Budget amendments and budget transfers between District funds by management are not allowed without Governing Board approval. However over-expenditures by line items are allowable as long as fund totals are not exceeded. All appropriations, including encumbered appropriations, lapse at year end. The Food Service Fund's expenditures of \$266,213 were over the budgeted amount of \$214,913 by \$51,300.

NOTE 3 - DEPOSITS AND INVESTMENTS

Arizona Revised Statutes require the District to deposit all cash with the County Treasurer, except as discussed below. Cash with the County Treasurer is pooled for investment purposes, except for cash in the Bond Building and Debt Service Funds, if any, which may be invested separately.

Statute authorizes the District to separately invest monies of the Bond Building Fund and Debt Service Funds, if any, in the State Treasurer's investment pools; obligations issued or guaranteed by the United States or any of its agencies or instrumentalities; specified state and local government bonds; and interest bearing savings accounts or certificates of deposit.

Statute authorizes the District to deposit monies of the Auxiliary Operations and Student Activities Funds in bank accounts. The District may also be invested these monies. In addition, statute authorizes the District to maintain various bank accounts such as clearing accounts to temporarily deposit receipts before they are transmitted to the County Treasurer; revolving accounts to pay minor disbursements; and withholding accounts for taxes and employee insurance programs. Some of these bank accounts may be interest bearing.

MAYER UNIFIED SCHOOL DISTRICT NO. 43
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Statute does not include any requirements for credit risk, concentration of credit risk, interest rate risk, or foreign currency risk. Statute requires collateral for deposits of Bond Building and Debt Service Funds monies, if any, in interest bearing savings accounts and certificates of deposit at 101 percent of all deposits not covered by federal depository insurance.

Deposits - Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have formal policy with respect to custodial credit risk. At June 30, 2014, the carrying amount of the District's deposits was \$158,504, and the bank balance was \$258,951. At June 30, 2014, the entire bank balances were covered by Federal depository insurance or by collateral held by the District's custodial bank in the District's name and none of the District's bank balance was exposed to custodial credit risk.

Investments - The District's investments at June 30, 2014, were as follows:

<u>Investment Type</u>	<u>Amount</u>
State Treasurer's Investment Pool 7	\$ 1,627,931
County Treasurer's Investment Pool	<u>152,232</u>
Total	<u>\$ 1,780,163</u>

The State Board of Investment provides oversight for the State Treasurer's pool, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant's position in the pool approximates the value of that participant's pool shares and the participant's shares are not identified with specific investments. No comparable oversight is provided for the County Treasurer's investment pool, and that pool's structure does not provide for shares.

Credit Risk - The District does not have formal investment policy with respect to credit risk. As of June 30, 2014, credit risk for the District's investments was as follows:

<u>Investment Type</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Amount</u>
State Treasurer's Investment Pool 7	Unrated	Not Applicable	\$ 1,627,931
County Treasurer's Investment Pool	Unrated	Not Applicable	<u>152,232</u>
			<u>\$ 1,780,163</u>

Custodial credit risk - For an investment, custodial credit risk is the risk that, in event of the counterparty's failure, the District will not be able to recover the value of its investments or collateral securities that are in an outside party's possession. The District does not have a formal investment policy with respect to custodial credit risk. At June 30, 2014, the District had \$ 1,780,163 in the external investment pools and are not exposed to custodial risk and held by the counterparty not in the District's name.

Concentration of credit risk - The District had investments at June 30, 2014, of 5 percent or more in the County and State investment pools. These investments were 8.6 and 91.4 percent, respectively, of the District's total investments.

MAYER UNIFIED SCHOOL DISTRICT NO. 43
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Interest rate risk - The District does not have formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The interest rate on assets held in the County Treasurer's investment pool earned an average of 1.4921% on the District's average monthly balance. The District is not subject to exposure to declines in fair values, the fair value is valued at a \$1.00 for each \$1.00 invested with no fluctuations.

As of June 30, 2014, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity(Months)</u>
AZ State Treasurer's (LGIP 7)	\$ 1,627,931	0-4
County Treasurer's investment pool	8,540	0-4
County Treasurer's investment pool	39,245	5-24
County Treasurer's investment pool	65,582	25-36
County Treasurer's investment pool	35,455	37-48
County Treasurer's investment pool	<u>3,410</u>	49-60
Total	<u>\$ 1,780,163</u>	

A reconciliation of cash, deposits, and investments to amounts shown on the Statement of Net Assets follows:

Cash and Investments:

Deposits in bank	\$ 3,294
Cash & investments in State's & County's investment pools	<u>1,780,163</u>
Total	<u>\$ 1,783,457</u>

Statement of Net Assets	Governmental <u>Activities</u>	Agency <u>Funds</u>	<u>Total</u>
Cash in bank	\$ 3,294	\$ 155,210	\$ 158,504
Cash and investments held by County Treasurer inv. pool	<u>1,780,163</u>	<u>-</u>	<u>1,780,163</u>
Total	<u>\$ 1,783,457</u>	<u>\$ 155,210</u>	<u>\$ 1,938,667</u>

The Balance Sheet captions and amounts of cash and investment at year end in the District's individual major and non-major funds and fiduciary funds in the aggregate consist of the following.

	General Fund	Classroom Site Funds	Food Service Fund	Unrestricted Capital Outlay Fund	Non-major & Other Funds	<u>Total</u>
Cash in bank	\$ 2,881	\$ -	\$ 200	\$ -	\$ 155,423	\$ 158,504
Cash and investments held by County Treasurer	<u>780,312</u>	<u>193,527</u>	<u>65,946</u>	<u>60,952</u>	<u>679,426</u>	<u>1,780,163</u>
Totals	<u>\$ 783,193</u>	<u>\$ 193,527</u>	<u>\$ 66,146</u>	<u>\$ 60,952</u>	<u>\$ 834,849</u>	<u>\$ 1,938,667</u>

MAYER UNIFIED SCHOOL DISTRICT NO. 43
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 4 - CAPITAL ASSETS

A summary of capital asset activity for the fiscal year ended June 30, 2014 follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Construction in progress	\$ 5,949	\$ -	\$ 5,949	\$ -
Land	<u>283,667</u>	<u>-</u>	<u>3,669</u>	<u>279,998</u>
Total capital assets not being depreciated	<u>289,616</u>	<u>-</u>	<u>9,618</u>	<u>279,998</u>
Capital assets being depreciated:				
Land improvements	648,810	101,935	-	750,745
Buildings and improvements	8,594,912	172,020	159,294	8,607,638
Vehicles, furniture and equipment	<u>2,129,196</u>	<u>143,423</u>	<u>24,444</u>	<u>2,248,175</u>
Total capital assets being depreciated	<u>11,372,918</u>	<u>417,378</u>	<u>183,738</u>	<u>11,606,558</u>
Less accumulated depreciation for:				
Land improvements	(81,822)	(23,386)	-	(105,208)
Buildings and improvements	(3,173,772)	(226,884)	97,345	(3,303,311)
Vehicles, furniture and equipment	<u>(1,069,990)</u>	<u>(164,145)</u>	<u>12,737</u>	<u>(1,221,398)</u>
Total accumulated depreciation	<u>(4,325,584)</u>	<u>(414,415)</u>	<u>110,082</u>	<u>(4,629,917)</u>
Total capital assets being depreciated, net	<u>7,047,334</u>	<u>2,963</u>	<u>73,656</u>	<u>6,976,641</u>
Governmental activities capital assets, net	<u>\$ 7,336,950</u>	<u>\$ 2,963</u>	<u>\$ 83,274</u>	<u>\$ 7,256,639</u>

Depreciation expense was charged to governmental functions as follows:

Governmental activities:	
Instruction	\$ 222,584
Support services:	
Students	1,336
Administration	17,692
Operation & maintenance of plant srv	86,991
Student transportation services	75,410
Operation of non-instruction services	<u>10,402</u>
Total governmental activities depreciation expense	<u>\$ 414,415</u>

NOTE 5 - LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable	\$ 1,665,000	\$ -	\$ 90,000	\$ 1,575,000	\$ 90,000
Obligations under capital leases	726,783	121,144	77,645	770,282	78,604
Compensated absences	<u>108,565</u>	<u>89,240</u>	<u>57,279</u>	<u>140,526</u>	<u>-</u>
Governmental activity					
long-term liabilities	<u>\$ 2,500,348</u>	<u>\$ 210,384</u>	<u>\$ 224,924</u>	<u>\$ 2,485,808</u>	<u>\$ 168,604</u>

MAYER UNIFIED SCHOOL DISTRICT NO. 43
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 5 - LONG-TERM LIABILITIES (Continued)

Bonds -The District's bonded debt consists of general obligation bonds. The bonds are both callable and noncancellable with interest payable semiannually. Bond proceeds primarily pay for acquiring or construction of capital facilities. The District repays general obligation bonds from the Debt Service Fund, a non-major governmental fund, from voter-approved property taxes.

Bonds outstanding at June 30, 2014 were as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Maturity Range</u>	<u>Outstanding Principal June 30, 2014</u>	<u>Due Within One Year</u>
General obligation bonds:					
School Improvement Bonds	3.25-		07/01/09-		
Project of 2007, Series 2008 (Class B)	4.125%	\$ 2,000,000	07/01/27	\$ <u>1,575,000</u>	\$ <u>90,000</u>
Total				\$ <u>1,575,000</u>	\$ <u>90,000</u>

The payments due July 1, 2014 were paid prior to year end, as a result, the amounts considered current are the payments due July 1, 2015.

Annual debt service requirements to maturity on general obligation bonds at June 30, 2014, are summarized as follows:

Year ending June 30:	<u>Principal</u>	<u>Governmental Activities Interest</u>	<u>Total</u>
2015	\$ 90,000	\$ 63,044	\$ 153,044
2016	95,000	59,894	154,894
2017	100,000	56,569	156,569
2018	105,000	52,942	157,942
2019	110,000	48,744	158,744
2020-24	625,000	172,220	797,220
2025-28	<u>450,000</u>	<u>37,537</u>	<u>487,537</u>
Total	\$ <u>1,575,000</u>	\$ <u>490,950</u>	\$ <u>2,065,950</u>

Legal Debt Limit - The District's general obligation bonds are subject to two limits: the Constitutional debt limit (total debt limit) on all general obligation bonds (up to 30 percent of the total secondary assessed valuation) and the statutory debt limit on Class B bonds (the greater of 20 percent of the secondary assessed valuation or \$1,500 per student). The current total debt limitation for the District is \$10,711,742 and the Class B debt limit is \$7,141,162, which are more than the District's total outstanding general obligation and Class B debt, respectively.

Capital Leases - During the current year, the District entered into a capital lease-purchase agreement to purchase a 77 passenger bus for \$121,144. The payments of \$25,793 began October 1, 2013 and are to be paid annually through October 1, 2017.

In the prior year, the District issued Qualified Energy Conservation Bonds (QECBs) to finance qualified projects. As a result the District obtained its allocation of bonds from Yavapai County and entered into a taxable QECB Equipment lease-purchase agreement for energy efficiency equipment/system to be added to the District buildings with the total cost of \$636,575. The lease-purchase agreement is designated as a Qualified Energy Conservation Bond (QECB) is Federally taxable in accordance with the IRS Code §54D. The Agreement is treated as a "specified credit bond" and as a "qualified bond" with respect to the Lessee/District will be allowed a refundable credit payable directly from the Secretary of the Treasury to the Lessee/District.

MAYER UNIFIED SCHOOL DISTRICT NO. 43
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014

NOTE 5- LONG-TERM LIABILITIES(Continued)

Capital Leases - (Continued) Previously the District acquired 15 HVAC units under the provisions of long-term capital lease agreement. Both lease provisions of the long-term lease agreements are classified as capital leases for accounting purposes because they provide for bargain purchase options or the transfer of ownership by the end of the leases term. Accordingly, the energy improvements made to the buildings totaling \$636,575 and the HVAC totaling \$274,851, and are capitalized at their present values of the future minimum lease payments as of the date of the leases' inception. The QECB lease requires an average annual payments of \$59,480, after the QECB subsidy and is payable through June 1, 2028; and the HVAC lease requires annual payments of \$35,411 payable through February 15, 2016.

The assets acquired through capital leases are as follows:

<u>Assets:</u>	<u>Governmental Activities</u>
Building Improvements	\$ 1,032,570
Less: accumulated depreciation	<u>(139,558)</u>
Carrying Value	<u>\$ 893,012</u>

The future minimum lease payments under the capital leases, together with the present value of the net minimum lease payments at June 30, 2014, were as follows:

	<u>Governmental Activities</u>
Year ending June 30, 2015	\$ 118,933
Year ending June 30, 2016	121,721
Year ending June 30, 2017	88,973
Year ending June 30, 2018	89,372
Year ending June 30, 2019	63,949
Year ending June 30, 2020-24	324,178
Year ending June 30, 2025-29	<u>261,421</u>
Total minimum lease payments	1,068,547
Less amount representing interest	<u>(298,265)</u>
Present value of net minimum capital lease payments	<u>\$ 770,282</u>
Principal due within one year	<u>\$ 78,604</u>

Operating Lease - The District entered into an operating lease to rent 2.52 acres adjacent to the District's high school property for the placement of an electronic reader board sign. The lease is for four (4) years, eleven (11) months commencing on March 13, 2013 and ending February 13, 2018. The agreement may be renewed for additional terms upon mutual agreement of the parties. The District agreed to pay the owner \$1,400 per year, due April 1, of each year.

Compensated Absences and claims and judgments - Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. Claims and judgments are generally paid from the fund that accounts for the activity that gave rise to the claim. During the fiscal year 2014, the District paid for compensated absences as follows: 75.01 percent from the General Fund, 9.91 percent from the Classroom Site Funds, 3.11 percent from the Food Service Fund, and 11.97 percent from other funds. The District had no payments for claims or judgments during the year.

MAYER UNIFIED SCHOOL DISTRICT NO. 43
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 6 - CONTINGENT LIABILITIES

Compliance - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures/expense that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

Lawsuits - The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the District's counsel, the resolution of these matters will not have a material adverse effect on the financial conditions of the District.

NOTE 7 - NET POSITION

The District's government-wide Statement of Net Position reports \$550,847 of restricted net assets for the primary government, of which \$193,527 is restricted by enabling legislation for the Classroom Site Funds which account for Proposition 301 sales taxes revenues which are restricted for teacher pay increases. Other restricted net assets include amounts for debt service, capital improvements, grant expenditures, and for other purposes.

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The District carries insurance obtained from the Arizona School Risk Retention Trust for all such risks of loss, and carries commercial insurance for employee health and accident coverage. The workers' compensation insurance is provided by Arizona School Alliance for Workers Compensation, Inc. for potential related accidents to employees. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The District is a member school district, along with approximately 230 other school districts, participating in the Arizona School Risk Retention Trust, Inc (ASRRT). The Trust, is a public entity risk pool currently operating as a common risk management and insurance program for school districts to provide property and liability insurance coverage to the member school districts and community colleges in the State of Arizona. The District pays an annual premium to ASRRT for its general insurance coverage. The agreement provides that ASRRT will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of specified amounts.

The Districts' employees have health and accident insurance coverage with the Arizona School Board Association Insurance Trust (ASBAIT). ASBAIT is a public entity risk pool currently operating as a common risk management and insurance program for school districts in the State. The District pays a monthly premium to ASBAIT for employees' health and accident insurance coverage. The agreement provides that ASBAIT will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of specified amounts.

MAYER UNIFIED SCHOOL DISTRICT NO. 43
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014

NOTE 8 - RISK MANAGEMENT (Continued)

The District joined the Rural Schools Employee Benefit Trust (RSEBT) as a member in July 1999. RSEBT is a public entity risk pool currently operating as a common risk management and insurance company for 12 member school districts. Members are provided insurance with commercial carriers at group discounted rates. The District pays an annual premium to the selected vendors for its dental, vision, and life insurance coverage at RSEBT. The agreement provides that RSEBT will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of specified amounts. The District also offers short term disability coverage of six months linkage to long term disability coverage under the State. This short term coverage is paid to Met Life Insurance.

NOTE 9 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Plan Descriptions - The District contributes to a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing, multi-employer defined benefit health insurance premium benefit plan; and a cost-sharing, multi-employer defined benefit long-term disability plan, all of which the *Arizona State Retirement System (ASRS)* administers. The ASRS (through its Retirement Fund) provides retirement (i.e., pension), death, and survivor benefits; the Health Benefit Supplement Fund provides health insurance premiums benefits (i.e., a monthly subsidy); and the Long-Term Disability Fund provides long-term disability benefits. State statute establishes the benefits. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The ASRS issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report is available on their website (www.azasrs.gov) or may be obtained by writing the Arizona State Retirement System, 3300 North Central Avenue, P.O. Box 33910, Phoenix, Arizona 85067-3910 or by calling (602)240-2000 or 1-800-621-3778.

Funding Policy - The Arizona State Legislature establishes and may amend active plan members' and the District's contribution rates. For the year ended June 30, 2014, statute required active ASRS members to contribute at the actuarially determined rate of 11.54 percent (11.3 percent retirement and 0.24 percent long-term disability) of the members' annual covered payroll, and statute required the District to contribute at the actuarially determined rate of 11.54 percent (10.7 percent retirement, 0.6 percent for health insurance premium benefit, and 0.24 percent long-term disability) of the members' annual covered payroll.

The District's contributions for the current and 2 preceding years, all of which were equal to the required contributions, were as follows:

Year ended June 30,	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
2014	\$ 254,059	\$ 14,247	\$ 5,698
2013	217,004	13,761	5,081
2012	207,915	13,271	5,057

MAYER UNIFIED SCHOOL DISTRICT NO. 43
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 10 - SUBSEQUENT EVENTS

Subsequent to year end, the District submitted a 915 letter to the Arizona Department of Education requesting for the its reevaluation and correction of its student enrollment data for the 2013-14 fiscal year. It is expected that the corrections will increase the amount of state aid the District will receive subsequent to year end.

NOTE 11 - FUND BALANCE CLASSIFICATION OF GOVERNMENTAL FUNDS

The fund balance classifications of the governmental funds as of June 30, 2014, were as follows:

	General Fund	Classroom Site Funds	Food Service Fund	Unrestricted Capital Outlay Fund	Other Governmental Funds	Total
Fund balances:						
Nonspendable:						
Prepaid Items	\$ 82,749	_____	\$ 14,316	_____	\$ 4,030	\$ 101,095
Total Nonspendable	<u>82,749</u>	\$ _____	<u>14,316</u>	\$ _____	<u>4,030</u>	<u>101,095</u>
Restricted for:						
Teacher pay increases		193,527				193,527
Extracurricular Activities Tax Credit				16,164	16,164	
Debt Service					8,892	8,892
Capital Outlay					13,057	13,057
Specific purpose					126,729	126,729
Grant Expenditures			66,146		26,368	92,514
Total Restricted	_____	<u>193,527</u>	<u>66,146</u>	_____	<u>191,210</u>	<u>450,883</u>
Assigned to:						
Specific purpose					48,956	48,956
Capital Outlay				39,515		39,515
Total assigned	_____	_____	_____	<u>39,515</u>	<u>48,956</u>	<u>88,471</u>
Unassigned						
	656,269	_____	_____	_____	457,568	1,113,837
Total fund balances	<u>\$ 739,018</u>	<u>\$ 193,527</u>	<u>\$ 80,462</u>	<u>\$ 39,515</u>	<u>\$ 701,764</u>	<u>\$ 1,754,286</u>

OTHER REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE

MAYER UNIFIED SCHOOL DISTRICT NO. 43
OTHER REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Other local	\$ 155,167	\$ 155,167	\$ 185,067	\$ 29,900
Earnings on Investments	-	-	4,941	4,941
Property taxes	1,438,433	1,438,433	1,233,073	(205,360)
State and County aid	<u>2,047,035</u>	<u>2,047,035</u>	<u>2,224,937</u>	<u>177,902</u>
Total revenues	<u>3,640,635</u>	<u>3,640,635</u>	<u>3,648,018</u>	<u>7,383</u>
Expenditures:				
Current:				
Regular Education				
Instruction	1,095,468	1,106,227	987,484	118,743
Support services:				
Students	111,654	111,654	145,730	(34,076)
Instructional staff	106,813	106,813	118,554	(11,741)
Administration	348,871	348,871	305,717	43,154
Central & other support services	183,973	183,973	222,219	(38,246)
Operation and maintenance of plant	547,698	547,698	503,823	43,875
Operation of non-instructional services	5,000	5,000	5,190	(190)
School-Sponsored Cocurricular Activities	1,000	1,000	548	452
School-Sponsored Athletics	<u>94,518</u>	<u>94,518</u>	<u>96,383</u>	<u>(1,865)</u>
Total regular education	<u>2,494,995</u>	<u>2,505,754</u>	<u>2,385,648</u>	<u>120,106</u>
Special Education				
Instruction	409,523	409,523	428,416	(18,893)
Support services:				
Students	156,086	156,086	125,778	30,308
Instructional staff	500	500	4,552	(4,052)
Central & other support services	-	-	586	(586)
Administration	<u>40,271</u>	<u>40,271</u>	<u>41,048</u>	<u>(777)</u>
Total special education	<u>606,380</u>	<u>606,380</u>	<u>600,380</u>	<u>6,000</u>
Student Transportation Services				
Pupil transportation	<u>513,810</u>	<u>513,810</u>	<u>462,189</u>	<u>51,621</u>
K-3 Reading				
Instruction	<u>17,233</u>	<u>17,233</u>	<u>17,216</u>	<u>17</u>
Total expenditures	<u>3,632,418</u>	<u>3,643,177</u>	<u>3,465,433</u>	<u>177,744</u>
Excess (deficiency) of revenues over exp.	<u>8,217</u>	<u>(2,542)</u>	<u>182,585</u>	<u>185,127</u>
Other financing sources (uses):				
Transfers In (Out)	<u>107,083</u>	<u>106,307</u>	<u>100,840</u>	<u>(5,467)</u>
Net changes in fund balances	<u>115,300</u>	<u>103,765</u>	<u>283,425</u>	<u>179,660</u>
Adjusted Fund balances, July 1, 2013	<u>455,593</u>	<u>455,593</u>	<u>455,593</u>	<u>-</u>
Fund balances, June 30, 2014	<u>\$ 570,893</u>	<u>\$ 559,358</u>	<u>\$ 739,018</u>	<u>\$ 179,660</u>

See accompanying notes to schedule.

MAYER UNIFIED SCHOOL DISTRICT NO. 43
 BUDGETARY COMPARISON SCHEDULE FOR THE
 CLASSROOM SITE FUNDS
 YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Investment earnings	\$ -	\$ -	\$ 765	\$ 765
Sales taxes	<u>221,787</u>	<u>221,787</u>	<u>222,977</u>	<u>1,190</u>
Total revenues	<u>221,787</u>	<u>221,787</u>	<u>223,742</u>	<u>1,955</u>
Expenditures:				
Instructional services	<u>375,984</u>	<u>387,553</u>	<u>196,219</u>	<u>191,334</u>
Total expenditures	<u>375,984</u>	<u>387,553</u>	<u>196,219</u>	<u>191,334</u>
Excess (deficiency) of revenues over expenditures	<u>(154,197)</u>	<u>(165,766)</u>	<u>27,523</u>	<u>193,289</u>
Fund balances, July 1, 2013	<u>166,004</u>	<u>166,004</u>	<u>166,004</u>	<u>-</u>
Fund balances(deficits), June 30, 2014	<u>\$ 11,807</u>	<u>\$ 238</u>	<u>\$ 193,527</u>	<u>\$ 193,289</u>

See accompanying notes to schedule.

MAYER UNIFIED SCHOOL DISTRICT NO. 43
 BUDGETARY COMPARISON SCHEDULE FOR THE
 FOOD SERVICE FUND
 YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts Original & Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Other local	\$ -	\$ 18,908	\$ 18,908
Investment earnings	-	245	245
Federal Grant reimbursements	<u>214,913</u>	<u>252,997</u>	<u>38,084</u>
Total revenues	<u>214,913</u>	<u>272,150</u>	<u>57,237</u>
Expenditures:			
Administration	-	30,000	(30,000)
Non-instructional services	<u>214,913</u>	<u>236,213</u>	<u>(21,300)</u>
Total expenditures	<u>214,913</u>	<u>266,213</u>	<u>(51,300)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>5,937</u>	<u>5,937</u>
Fund balances, July 1, 2013	<u>74,525</u>	<u>74,525</u>	<u>-</u>
Fund balances(deficits), June 30, 2014	<u>\$ 74,525</u>	<u>\$ 80,462</u>	<u>\$ 5,937</u>

See accompanying notes to schedule.

MAYER UNIFIED SCHOOL DISTRICT NO. 43
 OTHER REQUIRED SUPPLEMENTARY INFORMATION
 NOTES TO BUDGETARY COMPARISON SCHEDULES
 YEAR ENDED JUNE 30, 2014

NOTE 1 - BUDGETING AND BUDGETARY CONTROL

The District adopts an annual operating budget for expenditures for all governmental fund types. The Governing Board presents a proposed budget to the Superintendent of Public Instruction and County School Superintendent on or by July 5. The Governing Board legally adopts the final budget by July 15, after a public hearing has been held. Once adopted, the budget can be increased or decreased only for specific reasons set forth in the A.R.S.

Budgetary control over expenditures is exercised at the fund level. However, the General Fund is budgeted within four subsections titled regular education programs, special education programs, pupil transportation, and K-3 Reading, any of which may be overexpended with the prior approval of the Governing Board at a public meeting, providing the expenditures for all subsections do not exceed the General Fund's total budget.

Effective for the fiscal year ended June 30, 2005, revenue budgets were not required to be prepared. The District has included estimated revenues used in preparing the budget even though the revenue estimates are not "legally adopted".

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING

The District's budget is prepared on a basis consistent with accounting principles generally accepted in the United States of America with the following item:

- Prepaid items are budgeted in the year of prepayment.
- Inventory adjustments were not budgeted.
- USDA-donated commodities are not budgeted as an expenditure.

The following schedule reconciles the Statement of Revenues, Expenditures, and Changes in Fund Balance to the budgetary comparison schedule.

	General Fund	
	Fund Balance	
	<u>Adjustments</u>	
Fund Balance, July 1, 2013 from the Statement of Revenues, Expenditures, and Changes in Fund Balances	\$	452,584
Prepaid items current year		82,749
Prepaid items in the prior year		<u>(79,740)</u>
Budgetary Comparison Schedules - Adjusted beginning fund balance	\$	<u>455,593</u>
	Food Services Fund	
	Total	Total
	<u>Revenues</u>	<u>Expenditures</u>
Statement of Revenues, Expenditures, and Changes in Fund Balances	\$ 283,248	\$ 277,311
Statement of Governmental Funds	(11,098)	(11,098)
USDA Commodities	<u>(11,098)</u>	<u>(11,098)</u>
Budgetary Comparison Schedule for the Food Services Fund	\$ <u>272,150</u>	\$ <u>266,213</u>

SUPPLEMENTARY DATA

SINGLE AUDIT REPORTS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133

MAYER UNIFIED SCHOOL DISTRICT NO. 43
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditure</u>
<u>U. S. Department of Education</u>			
<i>Direct Grant:</i>			
Rural Education Achievement Program	84.358A	S358A125411	\$ 14,874
	84.358A	S358A135411	<u>17,604</u> \$ 32,478
<i>Passed through Arizona State Department of Education:</i>			
Title I - Improving Basic	84.010A	14FT1TTI-470034-01A	149,498
Special Education Cluster:			
Special Education- IDEA, Part B	84.027A	14FESCBG-470034-05A	111,424
Special Education - Preschool Grant	84.173A	14FECCBP-470034-06A	<u>4,949</u>
Special Education Cluster total			116,373
Title II - Improving Teacher Quality	84.367A	14FT1TII-470034-03A	30,871
21st Century Community Learning Centers	84.287C	14FLCCY5-470034-01A	61,253
Education for Homeless Children and Youth	84.196	14FT1EH3-470034-04A	27,824
Race to the Top	84.413A	14FSERY3-470034-02A	2,458
<i>Passed through Yavapai County:</i>			
Title III - English Language Acquisition	84.365A	14FELENG-470744-04A	2,765
<i>Passed through Mountain Institute JTED:</i>			
Career and Technical Education - Basic Grant	84.048A	14FCTDBG-470046-02A	<u>6,670</u>
Total U.S. Department of Education			<u>430,190</u>
<u>U.S. Department of Agriculture - Food and Nutrition</u>			
<i>Passed through Prescott Unified School District:</i>			
Farm to School	10.575	CN-F25-Plan-14-AZ-02	472
<i>Passed through Arizona State Department of Education:</i>			
Commodities - Food Distribution	10.550	Not Provided	11,098
Fresh Fruit and Vegetable Program	10.582	Not Provided	16,721
Nutrition Cluster:			
Summer Food Service Program for Children	10.559	Not Provided	4,504
School Breakfast Program	10.553	Not Provided	67,829
National School Lunch Program	10.555	Not Provided	<u>180,664</u>
Total Nutrition Cluster total			<u>252,997</u>
Total U.S. Department of Agriculture - Food and Nutrition			<u>281,288</u>
<u>U.S. Department of Agriculture - Forest Service</u>			
<i>Passed through Yavapai County School Superintendent's Office:</i>			
National Forest Fees -	10.665	Not Provided	<u>30,611</u>
Total U.S. Department of Agriculture - Forest Service			<u>30,611</u>
Total Expenditures of Federal Awards			<u>\$ 742,089</u>

See accompanying notes to financial statements

MAYER UNIFIED SCHOOL DISTRICT NO. 43
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 1 - BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Mayer Unified School District No. 43 and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Amounts reported on the schedule are recorded in the Special Revenue Funds. Food Commodities consist of food commodities received for the food program's consumption. The value of the food commodities is recorded as expenditures at year end upon receipt of the valuation report which is prepared by the Arizona Department of Education.

NOTE 2 - CATALOG OF FEDERAL DOMESTIC (CFDA) NUMBERS

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2014 *Catalog of Federal Domestic Assistance*.

NOTE 3 - FEDERAL ASSISTANCE NOT INCLUDED

Expenditures related to assistance not considered Federal awards in accordance with OMB Circular A-133 have not been presented in this schedule.

District received \$16,263 and spent \$150,509 in Medicaid reimbursements during the fiscal year 2013-14. However, these Medicaid payments are not considered Federal awards in accordance with OMB Circular A-133, and therefore the related expenditures are not presented in this schedule.

NOTE 4 - E-RATE FUNDING

District received \$75,767 and spent \$77,667 of assistance with the e-rate reimbursement program sponsored by the Federal Communications Commission, passed through the Universal Service Administration Co. - Schools and Libraries Division. This assistance is not considered Federal awards in accordance with OMB Circular A-133, and therefore, the related expenditures are not presented.

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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

Independent Auditor's Report

Governing Board
Mayer Unified School District No. 43

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 Mayer Unified School District No. 43, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Mayer Unified School District No. 43's basic financial statements and have issued our report thereon dated February 23, 2015 .

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements , I considered Mayer Unified School District No. 43'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 my opinions on the effectiveness of Mayer's internal control. Accordingly, I do not express an opinion on the effectiveness of Mayer Unified School District No. 43'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 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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control over financial reporting 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 Mayer Unified School District No. 43'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 these 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 the *Government Auditing Standards*.

Purpose of Report

The purpose of this report is 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 District's internal control or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. This reported is intended solely for the information and use of management and the District's governing board, the Arizona Department of Education, the State of Arizona office of the Auditor General, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Connie A. Sauvageau

Connie A. Sauvageau
Certified Public Accountant

February 23, 2015
Phoenix, Arizona

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133

Independent Auditor's Report

Governing Board
Mayer Unified School District No. 43

Report on Compliance for Each Major Program

I have audited Mayer Unified School District No. 43's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Mayer Unified School District No. 43's major federal programs for the year ended June 30, 2014. Mayer Unified School District No. 43's major federal programs are identified in the summary of auditor's result section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of Mayer Unified School District No. 43's major federal programs based on our audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mayer Unified School District No. 43's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Mayer Unified School District No. 43's compliance.

Opinion on Each Major Federal Program

In my opinion, Mayer Unified School District No. 43 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of Mayer Unified School District No. 43 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit, I considered Mayer Unified School District No. 43's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Mayer Unified School District No. 43's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. This report is intended solely for the information and use of management and the District's governing board, the Arizona Department of Education, the State of Arizona office of the Auditor General, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Connie A Sauvageau

Connie A. Sauvageau
Certified Public Accountant

February 23, 2015
Phoenix, Arizona

MAYER UNIFIED SCHOOL DISTRICT NO. 43
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency identified? None reported

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

Unqualified

Any audit findings disclosed that are required
to be reported in accordance with section .510(a) of
Circular A-133?

No

Identification of major programs:
CFDA Number(s)

Name of Federal Program or Cluster

*U.S. Department of Agriculture - Food and Nutrition
Nutrition Cluster:*

10.553 School Breakfast Program

10.555 National School Lunch Program

10.559 Summer Food Service Program for Children

Dollar threshold used to distinguish
between Type A and Type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

Yes

MAYER UNIFIED SCHOOL DISTRICT NO. 43
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014
(Continued)

Section II - Financial Statement Findings

I identified no findings of material weakness, significant deficiency, or instances of material noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

Section III - Federal Awards Findings and Questioned Costs

I identified no findings relating to reportable conditions, material weakness, instances of noncompliance, or questioned costs related to the federal awards that are required to be reported in accordance with the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Section IV - Status of Prior Year Audit Findings

Reference Finding: 2013-01 - Eligibility
CFDA Numbers: Nutrition Cluster
CFDA 10.553 School Breakfast Program
CFDA 10.555 National Lunch Program
CFDA 10.559 Summer Food Service Program for Children

I reviewed the current year Conflict of Interest Statements prepared by the Food Service Department employees and noted they did not properly complete the forms. They did not provide a "description of the conflict" or list the "related family members", for whom they were refraining from making an eligibility determination on their food applications. I audited the current year applications for known related family members to determine compliance, and to verify if the "related" students were properly classified and found no exceptions. Additional employees were trained/certified for the eligibility determination process, and they performed the determination of eligibility for the related parties. The Food Service employees did, in fact, refrain from making the eligibility determination on their related family members applications, even though the conflict of interest forms were not fully completed.