

**MINEOLA
INDEPENDENT SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED**

AUGUST 31, 2012

MINEOLA INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2012

TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	CERTIFICATE OF BOARD	1
	Independent Auditors' Report	2-3
	Management Discussion and Analysis	4-12
	<u>BASIC FINANCIAL STATEMENTS</u>	
	Government Wide Statements:	
A-1	Statement of Net Assets	13
B-1	Statement of Activities	14
	Governmental Fund Financial Statements	
C-1	Balance Sheet	15
C-2	Reconciliation for C-1	16
C-3	Statement of Revenues, Expenditures, and Changes in Fund Balance	17
C-4	Reconciliation for C-3	18
C-5	Budgetary Comparison Schedule - General Fund	19
	Proprietary Fund Financial Statements	
D-1	Statement of Net Assets	20
D-2	Statement of Revenues, Expenses, and Changes in Fund Net Assets	21
D-3	Statement of Cash Flows	22
	Fiduciary Fund Financial Statements	
E-1	Statement of Fiduciary Net Assets	23
E-2	Statement of Changes in Fiduciary Net Assets	24
	Notes to the Financial Statements	25-41
	<u>Combining Schedules</u>	
	Non-major Governmental Funds:	
F-1	Combining Balance Sheet	42-44
F-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	45-47
	Private Purpose Trust Funds:	
F-3	Combining Statement of Net Assets	48
F-4	Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	49
	<u>Required TEA Schedules</u>	
J-1	Schedule of Delinquent Taxes	50-51
J-2	Schedule of Expenditures for Computation of Indirect Cost	52
J-4	Budgetary Comparison Schedule - Child Nutrition Fund	53
J-5	Budgetary Comparison Schedule - Debt Service Fund	54
	<u>Federal Awards Section</u>	
	Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	55-56
	Report on Compliance with Requirements That Could Have a Direct And Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	57-58
	Schedule of Findings and Questioned Costs	59
	Schedule of Status of Prior Findings	60
	Corrective Action Plan	61
K-1	Schedule of Expenditures of Federal Awards	62
	Notes to Schedule of Expenditures of Federal Awards	63

CERTIFICATE OF BOARD

Mineola Independent School District
Name of School District

Wood
County

250-903
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) _____ approved _____ disapproved for the year ended August 31, 2012 at a meeting of the Board of Trustees of such school district on the _____ day of _____, 2012.

Signature of Board Secretary

Signature of Board President

If the Board of Trustees disapproved of the auditors' report, the reason(s) for disapproving it is (are):
(attach list as necessary)



ARNOLD, WALKER, ARNOLD, & Co., P.C.
Certified Public Accountants and Consultants

Bob J. Arnold, C.P.A.
Lanny G. Walker, C.P.A.
Kris Arnold, C.P.A.
Andrew T. Arnold, C.P.A.
Melissa J. Godfrey, C.P.A.
Amy E. Smith, C.P.A.

MEMBER

American Institute Of
Certified Public Accountants

Texas State Society Of
Certified Public Accountants

**Standard Report on Financial Statements Issued in Accordance with
Government Auditing Standards or in a Single Audit**

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Mineola Independent School District
Mineola, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Mineola Independent School District (the District) as of and for the year ended August 31, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's administrators. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Mineola Independent School District as of August 31, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 12 and pages 53 and 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements as a whole. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the financial statements. The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. The information is in Exhibits identified in the Table of Contents as J-1, J-2, J-4, and J-5. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Arnold, Walker, Arnold & Co., P.C.
Arnold, Walker, Arnold & Co., P.C.

October 23, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Mineola Independent School District we offer readers of the Mineola Independent School District's financial statements this narrative overview and analysis of the financial activities of the Mineola Independent School District for the year ended August 31, 2012. The information presented here should be read in conjunction with the District's financial statements.

FINANCIAL HIGHLIGHTS

The District's total combined net assets were \$22.8 million at August 31, 2012. During the year, the District's total revenues exceeded expenses by \$808 thousand. Total expenses of the District were \$17 million for the year which is \$450 thousand less than the prior year. Revenue was down \$900 thousand. Operating grants were down \$525 thousand. Foundations and gifts were down \$400 thousand. State aid was down \$316 thousand. Tax revenues were up \$180 thousand. The District has taken cost cutting measures in anticipation of decreased state funding. Payroll costs, repairs, and supplies were all decreased.

The District reported fund balance in the general fund of \$7.66 million at August 31, 2012, which is an increase of approximately \$1.5 million. Revenues were down \$184 thousand or 1.4%. State revenues were down approximately \$304 thousand. Local revenue was up \$119 thousand. Tax revenues were up because of larger values. Expenditures were \$597 thousand less than the prior year. Most of this decrease was in instructional costs.

The District has no long-term debt.

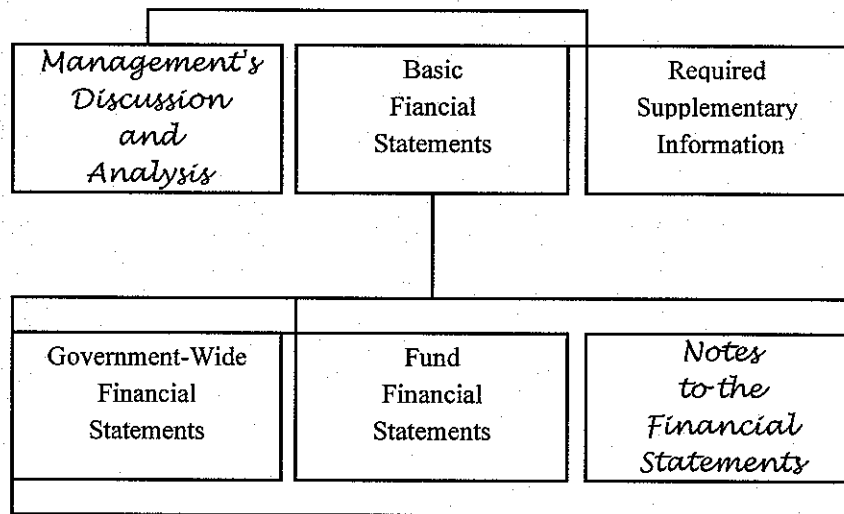
Approximately 97% of the taxes levied for 2011-12 were collected by fiscal year end.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



Summary ⇐ ⇒ Detail

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

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2. Major Features of the District's Government-wide Fund Financial Statements

<i>Type of Statements</i>	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses: self insurance	Instances in which the district is the trustee or agent for someone else's resources
<i>Required financial statements</i>	*Statement of net assets	*Balance sheet	*Statement of net assets	*Statement of fiduciary net assets
	*Statement of activities	*Statement of revenues, Expenditures & changes in fund balances	*Statement of revenues, expenses and changes in fund net assets *Statement of cash flows	*Statement of changes in fiduciary net assets
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	all assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon after	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

(A) The District has no enterprise funds.

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes *all* of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's *net assets* and how they have changed. Net assets—the difference between the District's assets and liabilities is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, consideration should be given to additional non-financial factors such as changes in the District's tax base.

The government-wide financial statements of the District include the *Governmental activities*. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services, and general administration. Property taxes and grants finance most of these activities. Also included are business-type activities. The District charges a fee to “customers” to help cover the costs of services provided.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds*—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has three kinds of funds:

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided that explains the relationship (or differences) between them.
- *Proprietary funds*—Services for which the District charges customers a fee are generally reported in enterprise funds. Enterprise funds, like the government-wide statements, provide both long-term and short-term financial information. The District has no enterprise funds. *Internal service funds* are used to report activities that provide supplies and services for the District's other programs and activities—such as the District's Self Insurance Fund.
- *Fiduciary funds*—The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These activities are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets. The District's combined net assets were approximately \$22.8 million at August 31, 2012.

Table A-1
The District's Net Assets
(in thousands of dollars)

	Governmental Activities	
	2012	2011
Current and other assets	9,507	8,276
Capital and non-current assets	13,921	14,446
TOTAL ASSETS	23,428	22,722
Long-term liabilities	-	-
Other liabilities	604	706
TOTAL LIABILITIES	604	706
Net assets		
Invested in capital assets net of related debt	13,921	14,446
Restricted	652	881
Unrestricted	8,251	6,689
TOTAL NET ASSETS	22,824	22,016

Net assets invested in capital assets net of related debt reflects the book value of the District's capital assets in excess of the debt which financed those assets. The \$8.2 million of unrestricted net assets represents resources available to fund the programs of the District for the next fiscal year.

The \$652 thousand is restricted as follows:

Restricted for SSA's	518
Restricted for Food Service	27
Restricted for Debt Service	107
	<u>652</u>

Net assets of the District's governmental activities increased from \$22 million to \$22.8 million, or \$808 thousand. The increase was the result of three main factors. First, the District's revenues exceeded expenditures by \$1.3 million. Second, the District acquired capital assets through purchase or construction of approximately \$178 thousand. Third, the District recorded depreciation of \$644 thousand.

Changes in net assets.

The District's total revenues were \$17.8 million. 31% of this comes from taxes, 36% was from state aid formula grants and 21% came from operating grants and contributions.

The total cost of all programs was \$17 million. Approximately 75% of this was for instructional and student services. Expenses were down about 3% from the prior year.

Net assets increased by \$808 thousand from the excess of revenues over expenses.

Table A-2
The District's Changes in Net Assets
(in thousands of dollars)

	Governmental Activities	
	2012	2011
Revenues		
<u>Program Revenues</u>		
Charges for Services	1,699	1,753
Operating Grants and Contributions	3,669	4,194
<u>General Revenues</u>		
Property Taxes	5,510	5,270
State aid - formula	6,377	6,693
Investment earnings	45	40
Other	500	756
Total Revenues	<u>17,800</u>	<u>18,706</u>
Expenses		
Instruction and instructional related	10,011	10,751
Instructional leadership/school administration	824	831
Guidance, social work, health, transportation	1,967	1,990
Food services	631	668
Extracurricular activities	471	514
General Administration	463	467
Plant maintenance and security	1,402	1,501
Data processing services	103	114
Community services	16	14
Debt service	-	-
Facilities Acquisition & Construction	533	86
Pmts to fiscal agent/member districts - shared service	460	380
Other	111	130
Total Expenses	<u>16,992</u>	<u>17,446</u>
Increase (Decrease) in Net Assets	808	1,260
Beginning Net Assets	22,016	20,693
Prior Period Adjustment	-	63
Ending Net Assets	<u>22,824</u>	<u>22,016</u>

Table A-3 presents the cost of each of the District's largest functions as well as each function's *net cost* (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$17 million.
- However, the amount that taxpayers paid for these activities through property taxes was only \$5.5 million.
- Some of the cost was paid by those who directly benefited from the programs (\$1.7 million), or by grants and contributions (\$3.7 million).

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

	Total Cost of Services		Net Cost of Services	
	2012	2011	2012	2011
Instruction	10,011	10,751	7,450	7,258
School administration	824	832	736	730
Plant Maintenance & Operations	1,402	1,501	1,232	1,390
Guidance, social work, health & transportation	1,967	1,990	791	821

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District reported fund balance in its governmental funds of approximately \$8.3 million reflecting a net increase of \$1.3 million. The general fund balance increased \$1.6 million.

Reasons for this increase in the general fund are highlighted on page 4. The major special revenue fund, special education cooperative decreased \$255 thousand in fund balance. The most significant reason is that playground equipment was added this year. Money was gifted to the District the prior year to acquire this.

General Fund Budgetary Highlights

A few budget amendments were made during the year. Even with these amendments, actual expenditures were less than budgeted by approximately 6.6% or \$792 thousand. Actual revenues exceeded budget by \$244 thousand. All functions were properly budgeted. An increase of \$509 thousand to fund balance was budgeted. The actual increase was \$1.5 million. Most of the variance in expenditures was in instructional.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table A-4
District's Capital Assets
(in thousands of dollars)

	Governmental Activities	
	2012	2011
Land	1,017	1,077
Buildings and improvements	19,971	19,971
Furniture and equipment	3,397	3,340
Totals at historical cost	24,385	24,388
Total accumulated depreciation	(10,464)	(9,942)
Net capital assets	13,921	14,446

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal-year 2013 budget and tax rate. Three of these factors are the reduction in state funding, the local economy and student population growth. The District's student population growth during 1998-2002 averaged annual losses of 0.41%. 2002 was the first year in five years that our student population stabilized. The District's growth from 2002-2010 averaged a gain of 0.05%. 2012 had 0.71% loss from 2011. Due to the downturn in the economy starting in 2008 and continuing through 2012, the current unemployment in the Mineola area is 8.0%, a decrease of 0.36% from the prior year. The State's unemployment rate of 7.1 % is a decrease of 14.45% over the prior year. The State of Texas also cut funding for all schools for the current biennium.

These indicators were taken into account when adopting the General Fund budget for 2013. Amounts available for appropriation in the General Fund budget are \$12.80 million, an increase of 10.63% over the final 2012 budget of \$11.58 million. The 2013 budget increased 6.22% from the prior year. The increase is due to replacing teacher and staff positions that were reduced as a direct result of the cuts in funding the prior year from the State of Texas. Property taxes and State per capita payments account for 99% of the revenue to support the 2013 budget. The district will use its revenues to finance programs we currently offer.

If these estimates are realized, the District's budgetary General Fund is expected to remain the same by the close of 2013. This will all have been accomplished in spite of unfunded mandates and a reduction in state funding.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Mineola Independent School District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the District's Central Business Office.

BASIC FINANCIAL STATEMENTS

GOVERNMENT WIDE STATEMENTS

MINEOLA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
AUGUST 31, 2012

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 9,152,018
1220 Property Taxes Receivable (Delinquent)	584,014
1230 Allowance for Uncollectible Taxes	(408,810)
1240 Due from Other Governments	174,535
1250 Accrued Interest	6,153
Capital Assets:	
1510 Land	1,016,596
1520 Buildings, Net	11,703,193
1530 Furniture and Equipment, Net	1,200,747
1000 Total Assets	23,428,446
LIABILITIES	
2110 Accounts Payable	2,220
2160 Accrued Wages Payable	450,912
2200 Accrued Expenses	93,780
2300 Deferred Revenues	56,908
2000 Total Liabilities	603,820
NET ASSETS	
3200 Invested in Capital Assets, Net of Related Debt	13,920,536
3820 Restricted for Federal and State Programs	27,023
3850 Restricted for Debt Service	106,989
3890 Restricted for Other Purposes	518,020
3900 Unrestricted Net Assets	8,252,058
3000 Total Net Assets	\$ 22,824,626

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

MINEOLA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2012

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
Codes	Expenses	3 Charges for Services	4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 9,719,402	\$ 254,635	\$ 2,248,856	\$ (7,215,911)
12 Instructional Resources and Media Services	199,240	-	1,420	(197,820)
13 Curriculum and Staff Development	91,958	4,339	51,902	(35,717)
21 Instructional Leadership	159,218	62,996	21,464	(74,758)
23 School Leadership	665,023	-	4,261	(660,762)
31 Guidance, Counseling and Evaluation Services	899,597	132,381	488,997	(278,219)
33 Health Services	140,751	52,512	-	(88,239)
34 Student (Pupil) Transportation	925,841	238,393	263,554	(423,894)
35 Food Services	631,307	127,908	500,359	(3,040)
36 Extracurricular Activities	470,643	66,688	-	(403,955)
41 General Administration	463,384	44,176	-	(419,208)
51 Facilities Maintenance and Operations	1,382,663	170,122	-	(1,212,541)
52 Security and Monitoring Services	18,955	-	-	(18,955)
53 Data Processing Services	103,339	3,100	25,500	(74,739)
61 Community Services	16,454	-	10,334	(6,120)
81 Capital Outlay	532,942	510,485	-	(22,457)
93 Payments related to Shared Services Arrangements	460,228	30,800	52,796	(376,632)
99 Other Intergovernmental Charges	110,944	-	-	(110,944)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 16,991,889	\$ 1,698,535	\$ 3,669,443	(11,623,911)
Data Control Codes				
	General Revenues:			
	Taxes:			
MT				5,510,472
SF				6,377,085
IE				44,510
MI				500,341
TR				<u>12,432,408</u>
CN				808,497
NB				22,016,129
NE				<u>\$ 22,824,626</u>

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

**GOVERNMENTAL FUND FINANCIAL
STATEMENTS**

MINEOLA INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2012

EXHIBIT C-1

Data Control Codes	10 General Fund	Major Special Revenue Fund	Other Funds	Total Governmental Funds	
ASSETS					
1110	Cash and Cash Equivalents	\$ 7,905,834	\$ 541,271	\$ 197,099	\$ 8,644,204
1220	Property Taxes - Delinquent	584,014	-	-	584,014
1230	Allowance for Uncollectible Taxes (Credit)	(408,810)	-	-	(408,810)
1240	Receivables from Other Governments	154,757	-	19,778	174,535
1250	Accrued Interest	6,153	-	-	6,153
1260	Due from Other Funds	27	-	-	27
1000	Total Assets	\$ 8,241,975	\$ 541,271	\$ 216,877	\$ 9,000,123
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ 2,220	\$ -	\$ -	\$ 2,220
2160	Accrued Wages Payable	386,384	54,573	9,955	450,912
2300	Deferred Revenues	184,778	-	41,588	226,366
2000	Total Liabilities	573,382	54,573	51,543	679,498
Fund Balances:					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	27,023	27,023
3480	Retirement of Long-Term Debt	-	-	106,989	106,989
3490	Other Restricted Fund Balance	-	486,698	31,322	518,020
Committed Fund Balance:					
3510	Construction	3,915,849	-	-	3,915,849
3530	Capital Expenditures for Equipment	900,681	-	-	900,681
3545	Other Committed Fund Balance	500,000	-	-	500,000
3600	Unassigned Fund Balance	2,352,063	-	-	2,352,063
3000	Total Fund Balances	7,668,593	486,698	165,334	8,320,625
4000	Total Liabilities and Fund Balances	\$ 8,241,975	\$ 541,271	\$ 216,877	\$ 9,000,123

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

MINEOLA INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET ASSETS
 AUGUST 31, 2012

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	8,320,625
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The net effect of this consolidation is to increase(decrease) net assets.		414,007
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$24,388,140 and the accumulated depreciation was \$9,941,988. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net assets.		14,446,152
3 Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of including the 2012 capital outlays is to increase (decrease) net assets.		118,433
4 The 2012 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(644,049)
5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, and eliminating interfund transactions. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.		169,458
19 Net Assets of Governmental Activities	\$	22,824,626

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

MINEOLA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	10 General Fund	Major Special Revenue Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 6,066,594	\$ 1,504,385	\$ 212,279	\$ 7,783,258
5800 State Program Revenues	6,752,932	184,843	85,951	7,023,726
5900 Federal Program Revenues	-	113,364	2,909,441	3,022,805
5020 Total Revenues	<u>12,819,526</u>	<u>1,802,592</u>	<u>3,207,671</u>	<u>17,829,789</u>
EXPENDITURES:				
Current:				
0011 Instruction	6,907,007	777,719	1,688,166	9,372,892
0012 Instructional Resources and Media Services	197,820	-	1,420	199,240
0013 Curriculum and Instructional Staff Development	35,717	4,339	51,902	91,958
0021 Instructional Leadership	74,758	62,996	21,464	159,218
0023 School Leadership	660,762	-	4,261	665,023
0031 Guidance, Counseling and Evaluation Services	272,319	251,642	375,636	899,597
0033 Health Services	88,239	52,512	-	140,751
0034 Student (Pupil) Transportation	383,487	238,393	263,554	885,434
0035 Food Services	151	-	604,513	604,664
0036 Extracurricular Activities	432,915	-	-	432,915
0041 General Administration	399,196	43,950	226	443,372
0051 Facilities Maintenance and Operations	1,216,078	96,514	70,863	1,383,455
0052 Security and Monitoring Services	18,955	-	-	18,955
0053 Data Processing Services	74,739	3,100	25,500	103,339
0061 Community Services	6,120	-	10,334	16,454
Capital Outlay:				
0081 Facilities Acquisition and Construction	22,760	510,485	-	533,245
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	376,632	20,000	63,596	460,228
0099 Other Intergovernmental Charges	110,944	-	-	110,944
6030 Total Expenditures	<u>11,278,599</u>	<u>2,061,650</u>	<u>3,181,435</u>	<u>16,521,684</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,540,927</u>	<u>(259,058)</u>	<u>26,236</u>	<u>1,308,105</u>
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	5,612	4,303	-	9,915
7080 Total Other Financing Sources (Uses)	<u>5,612</u>	<u>4,303</u>	<u>-</u>	<u>9,915</u>
1200 Net Change in Fund Balances	1,546,539	(254,755)	26,236	1,318,020
0100 Fund Balance - September 1 (Beginning)	6,122,054	741,453	139,098	7,002,605
3000 Fund Balance - August 31 (Ending)	<u>\$ 7,668,593</u>	<u>\$ 486,698</u>	<u>\$ 165,334</u>	<u>\$ 8,320,625</u>

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

MINEOLA INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2012

Total Net Change in Fund Balances - Governmental Funds	\$	1,318,020
The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase (decrease) net assets.		(4,058)
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of removing the 2012 capital outlays is to increase (decrease) net assets.		118,433
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.		(644,049)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.		20,151
Change in Net Assets of Governmental Activities	\$	<u>808,497</u>

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

MINEOLA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 5,455,800	\$ 6,039,150	\$ 6,066,594	\$ 27,444
5800	State Program Revenues	6,308,117	6,535,726	6,752,932	217,206
5020	Total Revenues	11,763,917	12,574,876	12,819,526	244,650
EXPENDITURES:					
Current:					
0011	Instruction	7,085,884	7,460,609	6,907,007	553,602
0012	Instructional Resources and Media Services	213,199	200,039	197,820	2,219
0013	Curriculum and Instructional Staff Development	50,735	38,423	35,717	2,706
0021	Instructional Leadership	74,696	75,833	74,758	1,075
0023	School Leadership	721,714	668,678	660,762	7,916
0031	Guidance, Counseling and Evaluation Services	300,154	275,677	272,319	3,358
0033	Health Services	88,277	96,792	88,239	8,553
0034	Student (Pupil) Transportation	426,531	420,071	383,487	36,584
0035	Food Services	-	151	151	-
0036	Extracurricular Activities	454,887	448,575	432,915	15,660
0041	General Administration	356,499	407,806	399,196	8,610
0051	Facilities Maintenance and Operations	1,351,837	1,361,960	1,216,078	145,882
0052	Security and Monitoring Services	10,200	20,100	18,955	1,145
0053	Data Processing Services	80,571	78,304	74,739	3,565
0061	Community Services	-	6,400	6,120	280
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	23,350	22,760	590
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	429,354	377,354	376,632	722
0099	Other Intergovernmental Charges	119,400	111,400	110,944	456
6030	Total Expenditures	11,763,938	12,071,522	11,278,599	792,923
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(21)	503,354	1,540,927	1,037,573
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	-	5,500	5,612	112
7080	Total Other Financing Sources (Uses)	-	5,500	5,612	112
1200	Net Change in Fund Balances	(21)	508,854	1,546,539	1,037,685
0100	Fund Balance - September 1 (Beginning)	6,122,054	6,122,054	6,122,054	-
3000	Fund Balance - August 31 (Ending)	\$ 6,122,033	\$ 6,630,908	\$ 7,668,593	\$ 1,037,685

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

**PROPRIETARY FUND FINANCIAL
STATEMENTS**

MINEOLA INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 AUGUST 31, 2012

EXHIBIT D-1

	Governmental Activities -
	Total Internal Service Funds
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 507,814
Total Assets	507,814
LIABILITIES	
Current Liabilities:	
Accounts Payable	93,780
Due to Other Funds	27
Total Liabilities	93,807
NET ASSETS	
Unrestricted Net Assets	414,007
Total Net Assets	\$ 414,007

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

MINEOLA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2012

EXHIBIT D-2

	Governmental Activities -
	Total Internal Service Funds
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 5,550
Total Operating Revenues	5,550
OPERATING EXPENSES:	
Payroll Costs	9,608
Total Operating Expenses	9,608
Operating Income (Loss)	(4,058)
Total Net Assets - September 1 (Beginning)	418,065
Total Net Assets - August 31 (Ending)	\$ 414,007

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

MINEOLA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2012

EXHIBIT D-3

	Governmental Activities -
	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Assessments - Other Funds	\$ 5,550
Cash Payments for Insurance Claims	(11,748)
Net Cash Used for Operating Activities	(6,198)
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Increase(decrease) in Short-term Loans	-
<u>Cash Flows from Capital & Related Financing Activities:</u>	
Acquisition of Capital Assets	-
<u>Cash Flows from Investing Activities:</u>	
Purchase of Investment Securities	-
Net Decrease in Cash and Cash Equivalents	(6,198)
Cash and Cash Equivalents at Beginning of Year	514,012
Cash and Cash Equivalents at End of Year	\$ 507,814
<u>Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities:</u>	
Operating Income (Loss):	\$ (4,058)
Adjustments to Reconcile Operating Income to Net Cash Used for Operating Activities:	
Depreciation	-
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Accounts Payable	(2,140)
Net Cash Used for Operating Activities	\$ (6,198)

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

FIDUCIARY FUND FINANCIAL STATEMENTS

MINEOLA INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 AUGUST 31, 2012

EXHIBIT E-1

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 282,934
Restricted Assets	327,157	-
Total Assets	327,157	\$ 282,934
LIABILITIES		
Due to Student Groups	-	\$ 282,934
Total Liabilities	-	\$ 282,934
NET ASSETS		
Restricted for Scholarships	327,157	
Total Net Assets	\$ 327,157	

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

MINEOLA INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY FUND NET ASSETS
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2012

EXHIBIT E-2

	Private Purpose Trust Funds
<hr/>	
ADDITIONS:	
Local and Intermediate Sources	\$ 2,399
Total Additions	<u>2,399</u>
DEDUCTIONS:	
Other Operating Costs	500
Total Deductions	<u>500</u>
Change in Net Assets	1,899
Total Net Assets - September 1 (Beginning)	<u>325,258</u>
Total Net Assets - August 31 (Ending)	<u><u>\$ 327,157</u></u>

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

MINEOLA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

MINEOLA SCHOOL DISTRICT (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

A. REPORTING ENTITY

The Board of Trustees (the "Board") is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity." There are no component units included with the reporting entity.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the MINEOLA INDEPENDENT SCHOOL DISTRICT with most of the inter-fund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues. Business type activities include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. Direct costs are those that are clearly identifiable with a specific function. Program revenues of the District include charges for services and operating grants and contributions. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

Inter-fund activities between governmental funds appear as due to/due froms on the Governmental Fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. All inter-fund transactions between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements. Inter-fund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are non-operating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are non-operating.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for un-matured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The District considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

D. FUND ACCOUNTING

The District's accounts are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which are comprised of each funds assets, liabilities, equity, revenues and expenditures.

The District reports the following major governmental funds:

1. **The General Fund** – The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. **Special Revenue Fund** – See definition below. Fund 437, the Special Education Cooperative is a major fund.

Additionally, the District reports the following fund type(s):

Governmental Funds:

1. **Special Revenue Funds** – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.
2. **Debt Service Funds** -- The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

Proprietary Funds:

1. **Internal Service Funds** - Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in an internal service fund. The District's Internal Service Fund is a self funded worker's compensation fund.

Fiduciary Funds:

1. **Private Purpose Trust Funds** - The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District's Private Purpose Trust Fund is a Scholarship trust fund.
2. **Agency Funds** - The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Funds are student activity funds.

E. OTHER ACCOUNTING POLICIES

1. For purposes of the statement of cash flows for proprietary funds, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.
3. Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the District and the component units are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building Improvements	20-50
Vehicles	10
Office Equipment	10
Computer Equipment	10

4. Since Internal Service Funds support the operations of governmental funds, they are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid "grossing up" the revenues and expenses of the District as a whole.
5. Investments are carried at fair value.
6. The District has self-insurance fund for worker's compensation insurance.
7. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Commitments of fund balance represent tentative management plans that are subject to change.
8. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

9. The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a State-wide data base for policy development and funding plans.
10. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.
11. School Districts are required to report all expenses by function, except certain indirect expenses. General administration and data processing service functions (data control codes 41 and 53, respectively) include expenses that are indirect expenses of other functions. These indirect expenses are not allocated to other functions.
12. Fund balance measures the net financial resources available to finance expenditures of future periods.

The District's Unassigned General Fund Balance will be maintained to provide the District with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The Unassigned General Fund balance may only be appropriated by resolution of the Board of Trustees.

Fund balance of the District may be committed for a specific source by formal action of the Mineola ISD Board of Trustees. Amendments or modifications of the committed fund balance must also be approved by formal action of the Mineola ISD Board of Trustees.

When it is appropriate for fund balance to be assigned, the Board delegates authority to the Superintendent and Chief Financial Officer.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net assets for governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The District has no long-term debt. The details of capital assets and long-term debt at the beginning of the year were as follows:

Capital Assets at the Beginning of the Year	Historic Cost	Accumulated Depreciation	Net Value at the Beginning of the Year	Change in Net Assets
Land	1,076,616	-	1,016,444	
Buildings	19,971,008	(7,874,543)	12,096,465	
Furniture & Equipment	3,340,516	(2,067,445)	1,273,071	
Construction in Progress	-	-	-	
Change in Net Assets	<u>24,388,140</u>	<u>(9,941,988)</u>		<u>14,446,152</u>
 Net Adjustment to Net Assets				 <u><u>14,446,152</u></u>

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Exhibit C-4 provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net assets of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net asset balance and the change in net assets. The details of this adjustment are as follows:

	<u>Amount</u>	<u>Adjustments to Changes in Net Assets</u>	<u>Adjustments to Net Assets</u>
<u>Current year Capital Outlay</u>			
Land	-	-	-
Buildings	302	302	302
Furniture & Equipment	178,151	178,151	178,151
Total Capital Outlay	<u>178,453</u>	<u>178,453</u>	<u>178,453</u>
Disposition of Assets	<u>60,020</u>	<u>(60,020)</u>	<u>(60,020)</u>
<u>Debt Principal Payments</u>			
Total Principal Payments	-	-	-
Total Adjustment to Net Assets		<u>118,433</u>	<u>118,433</u>

Another element of the reconciliation on Exhibit C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

	<u>Amount</u>	<u>Adjustments to Change in Net Assets</u>	<u>Adjustments to Net Assets</u>
<u>Adjustments to Revenue and Deferred Revenue</u>			
Taxes Collected from Prior Year Levies	131,375	(131,375)	-
Uncollected taxes (assumed collectible) from Current Year Levy	131,714	131,714	131,714
Uncollected Taxes (assumed collectible) from Prior Year Levy	37,744	-	37,744
Effect of prior year tax entries	19,812	19,812	-
Total		<u>20,151</u>	<u>169,458</u>

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund which is included in the Special Revenue Funds. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds if they are considered major funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit C-5 and the other two reports are in Exhibit J-4 and J-5.

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

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

	August 31, 2012 <u>Fund Balance</u>
Appropriated Budget Funds - Food Service Special Revenue Fund	27,023
Nonappropriated Budget Funds	<u>518,020</u>
All Special Revenue Funds	<u><u>545,043</u></u>

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The district is in substantial compliance with the requirements of the Act and with local policies.

Additional contractual provisions governing deposits and investments for the District are as follows:

Policies Governing Deposits and Investments

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy does address the following risks:

1. **Custodial Credit Risk – Deposits:** In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy regarding types of deposits allowed and collateral requirements is that the funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping in an amount sufficient to protect the District's funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Deposits of the District are insured or collateralized with securities held by the pledging financial institution's trust department or agent in the name of the District.

At August 31, 2012, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$9,367,141 and the bank balance was \$9,540,250. The District's cash deposits at August 31, 2012 and during the year ended August 31, 2012 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a. Depository: Capital One
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$9,938,531.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$9,686,568 and occurred during the month of January, 2012.

- d. Total amount of FDIC coverage at the time of the highest combined balance was \$500,002.
2. Custodial Credit Risk – Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Positions in external investment pools are not subject to custodial credit risk. The District has no investments exposed to custodial credit risk at the end of the period.
 3. Interest- rate Risk – Interest-rate risk occurs when potential purchases of debt securities do not agree to pay face value for these securities if interest rates rise. The District does not purchase investments where the face value is not guaranteed.
 4. Concentration Risk – Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. Investments in external investment pools are not subject to concentration risk. The District is not exposed to any amounts of concentration risk.
 5. Other Credit Risk Exposure – The District has investments in external investment pools. The rating of the pool is disclosed below.

The Districts investments at August 31, 2012, are shown below:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Average CreditQuality/ Ratings</u>	<u>Weighted Avg. Days to Maturity</u>
Texpool	926,609	AAAm	36 days

B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

C. DELINQUENT TAXES RECEIVABLE

Delinquent taxes are deposited into the general fund. Allowances for uncollectible tax receivables within the General Fund are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

D. INTERFUND RECEIVABLES AND PAYABLES

Inter-fund balances at August 31, 2012 consisted of the following individual fund balances:

Due to General Fund from:	
Internal Service Fund	<u>27</u>
Total	<u><u>27</u></u>

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2012, were as follows:

	<u>Property Taxes</u>	<u>Other Governments</u>	<u>Due From Other Funds</u>	<u>Other</u>	<u>Total Receivables</u>
Governmental Activities:					
General Fund	584,014	154,757	27	6,153	744,951
Nonmajor Governmental Funds	-	19,778	-	-	19,778
Total- Governmental Activities	584,014	174,535	27	6,153	764,729
Amounts not scheduled for collection during the subsequent year	408,810	-	-	-	408,810

Payables at August 31, 2012, were as follows:

	<u>Accounts</u>	<u>Loans, Leases, & Bonds Payable- Current Year</u>	<u>Salaries & Benefits</u>	<u>Due to Other Funds</u>	<u>Due to Other Governments</u>	<u>Total Payables</u>
Governmental Activities:						
General Fund	2,220	-	386,384	-	-	388,604
Major Special Revenue Fund	-	-	54,573	-	-	54,573
Nonmajor Governmental Funds	-	-	9,955	-	-	9,955
Internal Service Funds	-	-	-	27	-	27
Total- Governmental Activities	2,220	-	450,912	27	-	453,159
Amounts not scheduled for payment during the subsequent year	-	-	-	-	-	-

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended August 31, 2012, was as follows:

	Primary Government			Ending Balance
	Beginning Balance	Additions	Retirements	
Governmental Activities:				
District:				
Land	1,076,616	-	(60,020)	1,016,596
Buildings and Improvements	19,971,008	302	-	19,971,310
Furniture and Equipment	3,340,516	178,151	(121,458)	3,397,209
Construction in Progress	-	-	-	-
Totals at Historic Cost	<u>24,388,140</u>	<u>178,453</u>	<u>(181,478)</u>	<u>24,385,115</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(7,874,543)	(393,574)	-	(8,268,117)
Furniture and Equipment	(2,067,445)	(250,475)	121,458	(2,196,462)
Total Accumulated Depreciation	<u>(9,941,988)</u>	<u>(644,049)</u>	<u>121,458</u>	<u>(10,464,579)</u>
Governmental Activities Capital Assets, Net	<u>14,446,152</u>	<u>(465,596)</u>	<u>(60,020)</u>	<u>13,920,536</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	407,952
Student (Pupil) Transportation	131,112
Food Services	37,238
Curricular/Extracurricular Activities	37,728
General Administration	20,012
Plant Maintenance and Operations	10,007
Total Depreciation Expense	<u>644,049</u>

G. DEFINED BENEFIT PENSION PLAN

Plan Description. MINEOLA INDEPENDENT SCHOOL DISTRICT contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 8701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

Funding Policy. State law provides for fiscal years 2010, 2011 and 2012 a state contribution rate of 6.0% and a member contribution rate of 6.4%. In certain instances the reporting district (I.S.D., college, university, or state agency) is required to make all or a portion of the state's 6.0% contribution. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during that fiscal year; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a the particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State contributions to TRS made on behalf of MINEOLA INDEPENDENT SCHOOL DISTRICT's employees for the years ended August 31, 2010, 2011 and 2012 were \$523,505, \$591,221, and \$560,690 respectively. These state contributions include amounts allocated the state for the Medicare Part D retiree drug subsidy and the Early Retirement Reinsurance Program in the amount of \$23,486 and \$25,897 respectively. MINEOLA INDEPENDENT SCHOOL DISTRICT paid additional state contributions for the years ended August 31, 2010, 2011 and 2012 in the amount of \$100,321, \$162,611, and \$138,633 respectively, on the portion of the employees' salaries that exceeded the statutory minimum.

H. HEALTH CARE COVERAGE

Employees of the District are covered by a health insurance plan with TRS Active-Care through August 31, 2012. The District paid \$212 per month per month per employee.

Maintenance of Effort--

Total Annual Premiums for health care for 2011/2012	507,782
Subtract any non-medical expenses	-
2011/2012 Maintenance of Effort	<u>507,782</u>

I. CHANGES IN LONG-TERM LIABILITIES

The District has no long-term debt.

J. DEFERRED REVENUE

Deferred revenue at year end consisted of the following:

	Special Revenue		Total
	General Fund	Fund	
Net Tax Revenue	175,204	-	175,204
Technology Grant	-	18,000	18,000
Other	9,574	23,588	33,162
Total Deferred Revenue	184,778	41,588	226,366

K. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2012, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from State Agencies.

	State	Federal Grants	Other	Total
	Settlements			
General	147,703	-	7,054	154,757
Special Revenue	7,496	12,282	-	19,778
Total Deferred Revenue	155,199	12,282	7,054	174,535

L. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

During the current year, revenues from local and intermediate sources consisted of the following:

	General Fund	Major Special Revenue Fund	Debt Service Fund	Non-major	Total
				Special Revenue Fund	
Property Taxes	5,490,321	-	-	-	5,490,321
Penalties, Interest and Other					
Tax-related Income	91,542	-	-	-	91,542
Investment Income	41,376	2,344	116	123	43,959
Food Sales	-	-	-	127,908	127,908
Co-curricular Student Activities	66,688	-	-	-	66,688
Head Start Reimbursement	125,954	-	-	-	125,954
Foundations, Gifts, & Bequests	199,953	82,736	-	-	282,689
SSA-Special Ed	-	1,409,313	-	-	1,409,313
SSA-Super Net II	-	-	-	84,132	84,132
Other	50,760	9,992	-	-	60,752
Total	6,066,594	1,504,385	116	212,163	7,783,258

M. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2012, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three years.

N. WORKERS' COMPENSATION COVERAGE

The District sponsors a modified self-insurance plan to provide workers' compensation benefits to staff members. Transactions related to the plan are accounted for in the workers' compensation fund, an internal service fund of the District. Fixed costs for excess insurance, claims administration, safety and loss control for 2012/2013 will be approximately \$25,000. The loss fund maximum estimated for 2012/2013 is approximately \$65,000. The workers' compensation fund has a cash balance of \$487,589 at August 31, 2012. Estimates of claims payable and of claims incurred, but not reported at August 31, 2012, are reflected as accounts payable of the Fund. The plan is funded to discharge liabilities of the Fund as they become due.

Changes in the balance of claims liabilities during the past year are as follows:

	<u>8/31/2012</u>	<u>8/31/2011</u>
Unpaid claims, beginning of year	63,306	102,710
Insured claims	10,668	(25,107)
Claim, payments	<u>(11,748)</u>	<u>(14,297)</u>
Unpaid claims, end of year	<u><u>62,226</u></u>	<u><u>63,306</u></u>

O. COMMITMENTS AND CONTINGENCIES

The District has no significant commitments or contingencies at August 31, 2012

P. LITIGATION

The District has no pending litigation at August 31, 2012.

Q. SUBSEQUENT EVENTS

Administration has evaluated subsequent events through October 23, 2012, the financial statement issuance date.

R. SHARED SERVICE ARRANGEMENT—SPECIAL EDUCATION COOPERATIVE

Mineola I.S.D. is the fiscal agent for the Wood County Special Education Cooperative. Local Revenue contributed by the members of the cooperative during the year ended August 31, 2012 was as follows:

Alba-Golden I.S.D.	196,964
Hawkins I.S.D.	171,072
Quitman I.S.D.	258,428
Winnsboro I.S.D.	328,943
Yantis I.S.D.	86,668
Mineola I.S.D.	367,238
	<u>1,409,313</u>

S. SHARED SERVICE ARRANGEMENT—SUPER NET II

Mineola I.S.D. is the fiscal agent for Super Net II, an internet consortium. Local Revenue contributed by the members of the cooperative during the year ended August 31, 2012 was as follows:

Beckville I.S.D.	9,092
Brownsboro I.S.D.	9,813
Marshall I.S.D.	10,755
Quitman I.S.D.	9,245
Rusk I.S.D.	9,584
Troup I.S.D.	9,226
Waskom I.S.D.	9,131
Gilmer I.S.D.	7,891
Mineola I.S.D.	9,395
	<u>84,132</u>

COMBINING SCHEDULES

NON-MAJOR GOVERNMENTAL FUNDS

MINEOLA INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2012

Data Control Codes	211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ 24,696	\$ -	\$ -
1240	Receivables from Other Governments	-	12,282	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ 36,978</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2160	Accrued Wages Payable	\$ -	\$ 9,955	\$ -	\$ -
2300	Deferred Revenues	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>9,955</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	27,023	-	-
3480	Retirement of Long-Term Debt	-	-	-	-
3490	Other Restricted Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>27,023</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 36,978</u>	<u>\$ -</u>	<u>\$ -</u>

270 ESEA VI, Pt B Rural & Low Income	287 Education Jobs Fund	313 SSA IDEA, Part B Formula	314 SSA IDEA, Part B Preschool	315 SSA IDEA, Part B Discretionary	429 Other State Special Revenue Funds	434 SSA - SSVI Visually Impaired	459 Other SSA Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ (7,496)	\$ -	\$ 54,910
-	-	-	-	-	7,496	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,910</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	23,588
-	-	-	-	-	-	-	23,588
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	31,322
-	-	-	-	-	-	-	31,322
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,910</u>

MINEOLA INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2012

EXHIBIT F-1

Data Control Codes	499 Other Local Special Revenue Funds	Total Nonmajor Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental Funds	
ASSETS					
1110	Cash and Cash Equivalents	\$ 18,000	\$ 90,110	\$ 106,989	\$ 197,099
1240	Receivables from Other Governments	-	19,778	-	19,778
1000	Total Assets	<u>\$ 18,000</u>	<u>\$ 109,888</u>	<u>\$ 106,989</u>	<u>\$ 216,877</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2160	Accrued Wages Payable	\$ -	\$ 9,955	\$ -	\$ 9,955
2300	Deferred Revenues	18,000	41,588	-	41,588
2000	Total Liabilities	<u>18,000</u>	<u>51,543</u>	<u>-</u>	<u>51,543</u>
Fund Balances:					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	27,023	-	27,023
3480	Retirement of Long-Term Debt	-	-	106,989	106,989
3490	Other Restricted Fund Balance	-	31,322	-	31,322
3000	Total Fund Balances	<u>-</u>	<u>58,345</u>	<u>106,989</u>	<u>165,334</u>
4000	Total Liabilities and Fund Balances	<u>\$ 18,000</u>	<u>\$ 109,888</u>	<u>\$ 106,989</u>	<u>\$ 216,877</u>

MINEOLA INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II, A Training and Recruiting
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ 128,031	\$ -	\$ -
5800 State Program Revenues	-	4,195	-	-
5900 Federal Program Revenues	422,548	496,164	19,650	104,163
5020 Total Revenues	<u>422,548</u>	<u>628,390</u>	<u>19,650</u>	<u>104,163</u>
EXPENDITURES:				
Current:				
0011 Instruction	348,478	-	16,207	101,888
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	42,272	-	-	2,275
0021 Instructional Leadership	21,464	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	3,443	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	604,513	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	10,334	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030 Total Expenditures	<u>422,548</u>	<u>604,513</u>	<u>19,650</u>	<u>104,163</u>
1200 Net Change in Fund Balance	-	23,877	-	-
0100 Fund Balance - September 1 (Beginning)	-	3,146	-	-
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ 27,023</u>	<u>\$ -</u>	<u>\$ -</u>

270 ESEA VI, Pt B Rural & Low Income	287 Education Jobs Fund	313 SSA IDEA, Part B Formula	314 SSA IDEA, Part B Preschool	315 SSA IDEA, Part B Discretionary	429 Other State Special Revenue Funds	434 SSA - SSVI Visually Impaired	459 Other SSA Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 84,132
-	-	-	-	-	74,956	6,800	-
32,267	289,861	1,226,816	33,925	284,047	-	-	-
32,267	289,861	1,226,816	33,925	284,047	74,956	6,800	84,132
32,267	289,861	512,383	33,925	284,047	62,310	6,800	-
-	-	-	-	-	1,420	-	-
-	-	3,231	-	-	4,124	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	4,261	-	-
-	-	369,352	-	-	2,841	-	-
-	-	263,554	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	226
-	-	-	-	-	-	-	70,863
-	-	25,500	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	52,796	-	-	-	-	10,800
32,267	289,861	1,226,816	33,925	284,047	74,956	6,800	81,889
-	-	-	-	-	-	-	2,243
-	-	-	-	-	-	-	29,079
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,322

MINEOLA INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	499 Other Local Special Revenue Funds	Total Nonmajor Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental Funds	
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ 212,163	\$ 116	\$ 212,279
5800	State Program Revenues	-	85,951	-	85,951
5900	Federal Program Revenues	-	2,909,441	-	2,909,441
5020	Total Revenues	-	3,207,555	116	3,207,671
EXPENDITURES:					
Current:					
0011	Instruction	-	1,688,166	-	1,688,166
0012	Instructional Resources and Media Services	-	1,420	-	1,420
0013	Curriculum and Instructional Staff Development	-	51,902	-	51,902
0021	Instructional Leadership	-	21,464	-	21,464
0023	School Leadership	-	4,261	-	4,261
0031	Guidance, Counseling and Evaluation Services	-	375,636	-	375,636
0034	Student (Pupil) Transportation	-	263,554	-	263,554
0035	Food Services	-	604,513	-	604,513
0041	General Administration	-	226	-	226
0051	Facilities Maintenance and Operations	-	70,863	-	70,863
0053	Data Processing Services	-	25,500	-	25,500
0061	Community Services	-	10,334	-	10,334
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	-	63,596	-	63,596
6030	Total Expenditures	-	3,181,435	-	3,181,435
1200	Net Change in Fund Balance	-	26,120	116	26,236
0100	Fund Balance - September 1 (Beginning)	-	32,225	106,873	139,098
3000	Fund Balance - August 31 (Ending)	\$ -	\$ 58,345	\$ 106,989	\$ 165,334

PRIVATE PURPOSE TRUST FUNDS

MINEOLA INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF NET ASSETS
 PRIVATE PURPOSE TRUST FUNDS
 AUGUST 31, 2012

EXHIBIT F-3

	847 Dan Peacock Trust	848 English Trust Scholarship	849 Investment Trust Fund	Total Private Purpose Trust Funds
ASSETS				
Noncurrent Assets:				
Restricted Assets	\$ 16,074	\$ 235,652	\$ 75,431	\$ 327,157
Total Noncurrent Assets	<u>16,074</u>	<u>235,652</u>	<u>75,431</u>	<u>327,157</u>
Total Assets	<u>16,074</u>	<u>235,652</u>	<u>75,431</u>	<u>327,157</u>
NET ASSETS				
Restricted for Scholarships	<u>16,074</u>	<u>235,652</u>	<u>75,431</u>	<u>327,157</u>
Total Net Assets	<u>\$ 16,074</u>	<u>\$ 235,652</u>	<u>\$ 75,431</u>	<u>\$ 327,157</u>

MINEOLA INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PRIVATE PURPOSE TRUST FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2012

EXHIBIT F-4

Data Control Codes	847 Dan Peacock Trust	848 English Trust Scholarship	849 Investment Trust Fund	Total Private Purpose Trust Funds
ADDITIONS:				
Local and Intermediate Sources	\$ 18	\$ 255	\$ 2,126	\$ 2,399
Total Additions	<u>18</u>	<u>255</u>	<u>2,126</u>	<u>2,399</u>
DEDUCTIONS:				
Other Operating Costs	500	-	-	500
Total Deductions	<u>500</u>	<u>-</u>	<u>-</u>	<u>500</u>
Change in Net Assets	(482)	255	2,126	1,899
Total Net Assets - September 1 (Beginning)	<u>16,556</u>	<u>235,397</u>	<u>73,305</u>	<u>325,258</u>
Total Net Assets - August 31 (Ending)	<u>\$ 16,074</u>	<u>\$ 235,652</u>	<u>\$ 75,431</u>	<u>\$ 327,157</u>

REQUIRED T.E.A. SCHEDULES

MINEOLA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2012

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2003 and prior years	Various	Various	\$ Various
2004	1.500000	0.000000	287,488,083
2005	1.500000	0.000000	306,623,503
2006	1.500000	0.000000	323,939,067
2007	1.370050	0.000000	368,670,340
2008	1.170000	0.000000	403,505,128
2009	1.170000	0.000000	450,111,624
2010	1.170000	0.000000	446,317,778
2011	1.170000	0.000000	447,892,564
2012 (School year under audit)	1.170000	0.000000	471,854,017
1000 TOTALS			

(10) Beginning Balance 9/1/2011	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2012
\$ 143,485	\$ -	\$ 6,403	\$ -	\$ -	\$ 137,082
21,447	-	2,800	-	-	18,647
27,494	-	4,322	-	-	23,172
29,041	-	4,237	-	-	24,804
31,714	-	6,586	-	-	25,128
32,676	-	8,038	-	-	24,638
48,029	-	13,243	-	-	34,786
76,382	-	25,816	-	-	50,566
140,478	-	59,930	-	-	80,548
-	5,520,692	5,358,946	-	2,897	164,643
<u>\$ 550,746</u>	<u>\$ 5,520,692</u>	<u>\$ 5,490,321</u>	<u>\$ -</u>	<u>\$ 2,897</u>	<u>\$ 584,014</u>

MINEOLA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2013-2014
 GENERAL AND SPECIAL REVENUE FUNDS
 AUGUST 31, 2012

FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION, 99 - APPRAISAL DISTRICT COST

Account Number	Account Name	1	2	3	4	5	6	7
		(702) School Board	(703) Tax Collections	(701) Supt's Office	(750) Indirect Cost	(720) Direct Cost	(other) Miscellaneous	Total
611X-6146	PAYROLL COSTS	\$ 17,630	\$ 34,022	\$ 149,456	\$ 116,045	\$ -	\$ -	\$ 317,153
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	-	-	-	-	6,410	-	6,410
6212	Audit Services	-	-	-	17,360	-	-	17,360
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	110,944	-	-	-	-	110,944
6214	Lobbying	-	-	-	-	-	-	-
621X	Other Professional Services	-	-	-	-	-	-	-
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	600	3,066	500	-	4,166
6240	Contr. Maint. and Repair	-	-	-	-	17,929	-	17,929
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	2,661	-	-	2,661
6290	Miscellaneous Contr.	-	1,500	84	1,526	-	-	3,110
6320	Textbooks and Reading	-	-	-	-	-	-	-
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	1,110	4,034	977	6,047	-	-	12,168
6410	Travel, Subsistence, Stipends	4,216	-	1,970	415	-	-	6,601
6420	Ins. and Bonding Costs	4,041	250	-	-	-	-	4,291
6430	Election Costs	2,210	-	-	-	-	-	2,210
6490	Miscellaneous Operating	5,595	783	45	4,206	11,905	-	22,534
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	\$ 34,802	\$ 151,533	\$ 153,132	\$ 151,326	\$ 36,744	\$ -	\$ 527,537

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 16,521,682

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 1,095,552
Total Debt & Lease(6500)	(11)	-
Plant Maintenance (Function 51, 6100-6400)	(12)	1,368,006
Food (Function 35, 6341 and 6499)	(13)	230,852
Stipends (6413)	(14)	-
Column 4 (above) - Total Indirect Cost		151,326

SubTotal:

2,845,736

Net Allowed Direct Cost

\$ 13,675,946

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 19,971,311
Historical Cost of Building over 50 years old	(16)	-
Amount of Federal Money in Building Cost (Net of #16)	(17)	-
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18)	\$ 3,397,209
Historical Cost of Furniture & Equipment over 16 years old	(19)	-
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	-

(8) NOTE A: \$17,397 in Function 53 expenditures are included in this report on administrative costs.

\$110,944 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

MINEOLA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 158,500	\$ 123,555	\$ 128,031	\$ 4,476
5800	State Program Revenues	5,000	4,000	4,195	195
5900	Federal Program Revenues	509,000	483,625	496,164	12,539
5020	Total Revenues	672,500	611,180	628,390	17,210
EXPENDITURES:					
0035	Food Services	672,500	655,500	604,513	50,987
6030	Total Expenditures	672,500	655,500	604,513	50,987
1200	Net Change in Fund Balances	-	(44,320)	23,877	68,197
0100	Fund Balance - September 1 (Beginning)	3,146	3,146	3,146	-
3000	Fund Balance - August 31 (Ending)	\$ 3,146	\$ (41,174)	\$ 27,023	\$ 68,197

MINEOLA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ 103	\$ 116	\$ 13
5020	Total Revenues	-	103	116	13
1200	Net Change in Fund Balances	-	103	116	13
0100	Fund Balance - September 1 (Beginning)	106,873	106,873	106,873	-
3000	Fund Balance - August 31 (Ending)	\$ 106,873	\$ 106,976	\$ 106,989	\$ 13

FEDERAL AWARDS SECTION



ARNOLD, WALKER, ARNOLD, & Co., P.C.
Certified Public Accountants and Consultants

Bob J. Arnold, C.P.A.
Lanny G. Walker, C.P.A.
Kris Arnold, C.P.A.
Andrew T. Arnold, C.P.A.
Melissa J. Godfrey, C.P.A.
Amy E. Smith, C.P.A.

MEMBER

American Institute Of
Certified Public Accountants

Texas State Society Of
Certified Public Accountants

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

Board of Trustees
Mineola Independent School District
Mineola, Texas

Members of the Board:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Mineola Independent School District as of and for the year ended August 31, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 23, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Mineola Independent School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 District's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of 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 over financial statements that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Arnold, Walker, Arnold & Co., P.C.

October 23, 2012



ARNOLD, WALKER, ARNOLD, & Co., P.C.

Certified Public Accountants and Consultants

Bob J. Arnold, C.P.A.
Lanny G. Walker, C.P.A.
Kris Arnold, C.P.A.
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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Independent Auditor's Report

Board of Trustees
Mineola Independent School District
Mineola, Texas

Members of the Board:

Compliance

We have audited MINEOLA INDEPENDENT SCHOOL DISTRICT's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of MINEOLA INDEPENDENT SCHOOL DISTRICT's major federal programs for the year ended August 31, 2012. MINEOLA INDEPENDENT SCHOOL DISTRICT's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of MINEOLA INDEPENDENT SCHOOL DISTRICT's management. Our responsibility is to express an opinion on MINEOLA INDEPENDENT SCHOOL DISTRICT's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about MINEOLA INDEPENDENT SCHOOL DISTRICT's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of MINEOLA INDEPENDENT SCHOOL DISTRICT's compliance with those requirements.

In our opinion, MINEOLA INDEPENDENT SCHOOL DISTRICT complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2012.

Internal Control Over Compliance

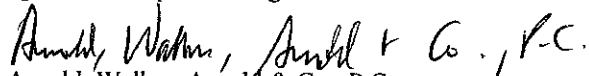
Management of MINEOLA INDEPENDENT SCHOOL DISTRICT is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered MINEOLA INDEPENDENT SCHOOL DISTRICT's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of MINEOLA INDEPENDENT SCHOOL DISTRICT's internal control over compliance.

915 N. Jefferson Street □ PO Box 1217 □ Mt. Pleasant, Texas 75456-1217 □ (903) 572-6606 □ Fax (903) 572-3751
Email: firm@awacpa.com

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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report is intended solely for the information and use of management, the Board, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Arnold, Walker, Arnold & Co., P.C.

October 23, 2012

MINEOLA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2012

I. Summary of the Auditor's Results:

- a. The type of report issued on the financial statements of the Mineola Independent School District was an unqualified opinion.
- b. Where applicable, a statement that control deficiencies in internal control were disclosed by the audit of the financial statements and whether they were material weaknesses. NONE
- c. A statement as to whether the audit disclosed any noncompliance which is material to the financial statements of the auditee. NONE
- d. Where applicable, a statement that control deficiencies in internal control over major programs were disclosed by the audit and whether any such conditions were material weaknesses. N/A
- e. The type of report the auditor issued on compliance for major programs. Unqualified
- f. A statement as to whether the audit disclosed any audit findings which the auditor is required to report under Section __.510(a). These include: NONE
- g. An identification of major programs: NSBLP CFDA# 10.553 & # 10.555; Education Jobs Fund CFDA# 84.410A
- h. The dollar threshold used to distinguish between Type A and Type B programs. \$300,000.
- i. A statement as to whether the auditee qualified as a low-risk auditee. Yes.

II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards*.

NONE

III. Findings and Questioned Costs for Federal Awards Including Audit Findings as Described in I.f Above

NONE

MINEOLA INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2012

PRIOR YEAR'S FINDINGS/ NONCOMPLIANCE

None

STATUS OF PRIOR YEAR'S FINDINGS/ NONCOMPLIANCE

N/A

MINEOLA INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2012

CORRECTIVE ACTION

N/A

The contact at the District is Dr. H. John Fuller at (903) 569-2448.

MINEOLA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2012

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	12610101250903	\$ 422,548
Carl D. Perkins-Basic Grant	84.048A	12420006250903	19,650
ESEA, Title VI, Part B-Rural & Low Income Prog.	84.358B	12696001250903	32,267
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	12694501250903	104,163
Education Jobs Fund	84.410A	11550101250903	289,861
IDEA B Formula	84.027A	126600012509036600	1,226,816
IDEA B Preschool	84.173A	126610012509036610	33,925
IDEA B Discretionary	84.027A	126600022509036677	142,614
IDEA B High Cost	84.027A	12660006250903	141,433
Total CFDA Number 84.027A			<u>284,047</u>
Total Passed Through State Department of Education			<u>\$ 2,413,277</u>
TOTAL DEPARTMENT OF EDUCATION			<u>\$ 2,413,277</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through State Department of Education</u>			
SHARS	93.778	N/A	\$ 113,364
Total Passed Through State Department of Education			<u>\$ 113,364</u>
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>\$ 113,364</u>
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	N/A	\$ 104,741
*National School Lunch Program - Cash Assistance	10.555	N/A	352,661
*National School Lunch Prog. - Non-Cash Assistance	10.555	N/A	38,762
Total CFDA Number 10.555			<u>391,423</u>
Total Child Nutrition Cluster			<u>496,164</u>
Total Passed Through the State Department of Agriculture			<u>\$ 496,164</u>
TOTAL DEPARTMENT OF AGRICULTURE			<u>\$ 496,164</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 3,022,805</u>

*Clustered Programs

MINEOLA INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2012

1. For all Federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund which is a Governmental Fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund types and Agency Funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for un-matured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement - Provisional 6/97.