

**MINEOLA  
INDEPENDENT SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED**

**AUGUST 31, 2013**

MINEOLA INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2013

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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, 2013 at a meeting of the Board of Trustees of such school district on the \_\_\_\_\_ day of \_\_\_\_\_, 2013.

\_\_\_\_\_  
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., P.F.S.  
Lanny G. Walker, C.P.A., P.F.S.  
Kris Arnold, C.P.A., P.F.S.  
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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Mineola Independent School District  
Mineola, Texas

**Report on the Financial Statements**

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

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2013, 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 accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 12 and 54 through 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

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

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

The 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.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2013, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

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

November 14, 2013

## 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, 2013. The information presented here should be read in conjunction with the District's financial statements.

### FINANCIAL HIGHLIGHTS

The District's total combined net position was \$23.5 million at August 31, 2013. During the year, the District's total revenues exceeded expenses by \$724 thousand. Total expenses of the District were \$17.9 million for the year which is \$967 thousand more than the prior year. Revenue was up \$880 thousand. Operating grants were up \$175 thousand. Foundations and gifts were up \$270 thousand. State aid was down \$240 thousand. Tax revenues were up \$893 thousand.

The District reported fund balance in the general fund of \$7.1 million at August 31, 2013, which is a decrease of approximately \$538 thousand. Revenues were up \$1 million or 8%. State revenues were down approximately \$136 thousand. Local revenue was up \$1.1 million. Tax revenues were up because of larger values. Expenditures were \$2.9 million more than the prior year. \$921 thousand of this was in instructional as more positions were added. Also, capital outlay under facilities acquisition and construction was up \$1.63 million compared to the prior year.

The District has no long-term debt.

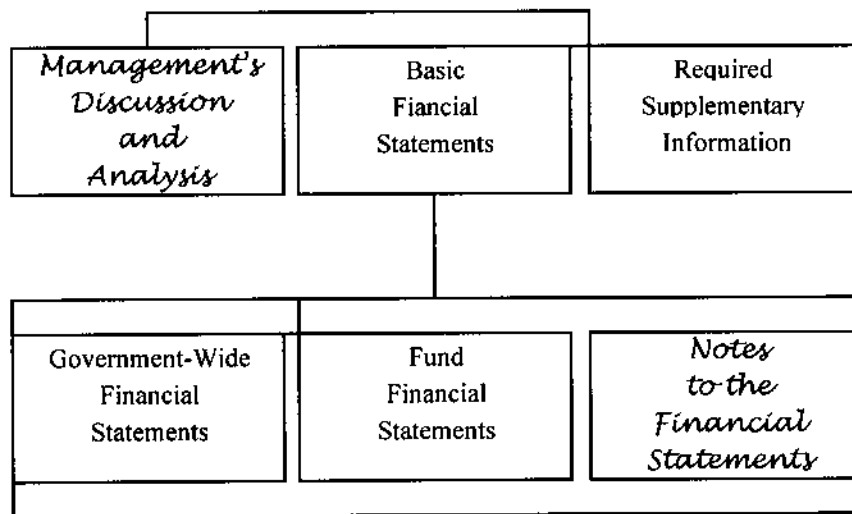
Approximately 97% of the taxes levied for 2012-13 were collected by fiscal year end.

## 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



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 position	*Balance sheet	*Statement of net position	*Statement of fiduciary net position
	*Statement of activities	*Statement of revenues, Expenditures & changes in fund balances	*Statement of revenues, expenses and changes in fund net position *Statement of cash flows	*Statement of changes in fiduciary net position
<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 position includes *all* of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

- Over time, increases or decreases in the District's net position 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 position and a statement of changes in fiduciary net position. 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 position. The District's combined net position was approximately \$23.5 million at August 31, 2013.

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

	Governmental Activities	
	2013	2012
Current and other assets	9,154	9,507
Capital and non-current assets	15,003	13,921
<b>TOTAL ASSETS</b>	<b>24,157</b>	<b>23,428</b>
Long-term liabilities	-	-
Other liabilities	599	604
<b>TOTAL LIABILITIES</b>	<b>599</b>	<b>604</b>
Unavailable revenue-property taxes	10	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>10</b>	<b>-</b>
Net position		
Invested in capital assets net of related debt	15,003	13,921
Restricted	835	652
Unrestricted	7,710	8,251
<b>TOTAL NET POSITION</b>	<b>23,548</b>	<b>22,824</b>

Net position 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 \$7.7 million of unrestricted net position represents resources available to fund the programs of the District for the next fiscal year.

The \$835 thousand is restricted as follows:

Restricted for SSA's	701
Restricted for Food Service	27
Restricted for Debt Service	107
	<u>835</u>

Net position of the District's governmental activities increased from \$22.8 million to \$23.5 million, or \$724 thousand. The increase was the result of three main factors. First, the District's expenditures exceeded revenues by \$355 thousand. Second, the District acquired capital assets through purchase or construction of approximately \$1.75 million. Third, the District recorded depreciation of \$676 thousand.

Changes in net position.

The District's total revenues were \$18.6 million. 34% of this comes from taxes, 32% was from state aid formula grants and 21% came from operating grants and contributions. Revenues were up 5% from the prior year.

The total cost of all programs was \$17.9 million. Approximately 77% of this was for instructional and student services. Expenses were up about 6% from the prior year.

Net position increased by \$724 thousand from the excess of revenues over expenses.

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

	Governmental Activities	
	2013	2012
<b>Revenues</b>		
<u>Program Revenues</u>		
Charges for Services	1,668	1,699
Operating Grants and Contributions	3,844	3,669
<u>General Revenues</u>		
Property Taxes	6,403	5,510
State aid - formula	5,963	6,377
Investment earnings	46	45
Other	756	500
<b>Total Revenues</b>	<u>18,680</u>	<u>17,800</u>
<b>Expenses</b>		
Instruction and instructional related	11,036	10,011
Instructional leadership/school administration	851	824
Guidance, social work, health, transportation	2,023	1,967
Food services	661	631
Extracurricular activities	596	471
General Administration	542	463
Plant maintenance and security	1,443	1,402
Data processing services	158	103
Community services	22	16
Debt service	-	-
Facilities Acquisition & Construction	33	533
Pmts to fiscal agent/member districts - shared service	474	460
Other	120	111
<b>Total Expenses</b>	<u>17,959</u>	<u>16,992</u>
<b>Increase (Decrease) in Net Position</b>	721	808
<b>Transfer in</b>	3	-
<b>Beginning Net Position</b>	22,824	22,016
<b>Ending Net Position</b>	<u>23,548</u>	<u>22,824</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 \$17.9 million.
- However, the amount that taxpayers paid for these activities through property taxes was only \$6.4 million.
- Some of the cost was paid by those who directly benefited from the programs (\$1.7 million), or by grants and contributions (\$3.8 million).

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

	Total Cost of Services		Net Cost of Services	
	2013	2012	2013	2012
Instruction	11,036	10,011	7,870	7,450
School administration	851	824	766	736
Plant Maintenance & Operations	1,443	1,402	1,224	1,232
Guidance, social work, health & transportation	2,023	1,967	877	791

#### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District reported fund balance in its governmental funds of approximately \$7.9 million reflecting a net decrease of \$355 thousand. The general fund balance decreased \$538 thousand.

Reasons for this increase in the general fund are highlighted on page 4. The other governmental funds increased \$183 thousand. Most of this increase was in the SSA special education fund because of increased SHARS (federal) revenue.

## 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 3% or \$477 thousand. Actual revenues were less than budget by \$173 thousand. All functions were properly budgeted. A decrease of \$842 thousand to fund balance was budgeted. The actual decrease was \$538 thousand. 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	
	2013	2012
Land	1,017	1,017
Buildings and improvements	21,592	19,971
Furniture and equipment	3,525	3,397
Totals at historical cost	<u>26,134</u>	<u>24,385</u>
Total accumulated depreciation	<u>(11,131)</u>	<u>(10,464)</u>
Net capital assets	<u><u>15,003</u></u>	<u><u>13,921</u></u>

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal-year 2014 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, but we saw an increase of 0.10% increase in 2013. There was a downturn in the economy starting in 2008 and continuing through 2012, but a slight rebound started in 2013. The current unemployment in the Mineola area is 7.1%, a decrease of 11.3% from the prior year. The State's unemployment rate of 6.4 % is a decrease of 9.86% over the prior year. The State of Texas has continued to cut funding for all schools for the current biennium.

These indicators were taken into account when adopting the General Fund budget for 2014. Amounts available for appropriation in the General Fund budget are \$12.97 million, a decrease of 9.8% over the final 2013 budget of \$14.24 million. Excluding the capital projects from the 2013 budget of \$1.50 million, there was a budget increase of 1.8%. The 2014 budget increased 0.8% 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 that began 2 years prior from the State of Texas. Property taxes and State per capita payments account for 99% of the revenue to support the 2014 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 2014. 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 POSITION  
AUGUST 31, 2013

EXHIBIT A-1

Data Control Codes	Primary Government  Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 8,664,914
1220 Property Taxes Receivable (Delinquent)	599,142
1230 Allowance for Uncollectible Taxes	(419,400)
1240 Due from Other Governments	304,289
1250 Accrued Interest	5,350
Capital Assets:	
1510 Land	1,016,596
1520 Buildings, Net	12,895,528
1530 Furniture and Equipment, Net	1,091,150
1000 Total Assets	24,157,569
<b>LIABILITIES</b>	
2110 Accounts Payable	96,505
2160 Accrued Wages Payable	482,044
2300 Unearned Revenue	20,882
2000 Total Liabilities	599,431
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2601 Unavailable Revenue - Property Taxes	10,078
2600 Total Deferred Inflows of Resources	10,078
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	15,003,274
3840 Restricted for Food Service	26,794
3850 Restricted for Debt Service	107,101
3890 Restricted for Other Purposes	700,993
3900 Unrestricted	7,709,898
3000 Total Net Position	\$ 23,548,060

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, 2013**

EXHIBIT B-I

Net (Expense)  
Revenue and  
Changes in Net  
Position

Data Control Codes	Program Revenues			6 Primary Gov. Governmental Activities
	1 Expenses	3 Charges for Services	4 Operating Grants and Contributions	
<b>Primary Government:</b>				
<b>GOVERNMENTAL ACTIVITIES:</b>				
11 Instruction	\$ 10,686,966	\$ 820,035	\$ 2,291,561	\$ (7,575,370)
12 Instructional Resources and Media Services	224,751	-	-	(224,751)
13 Curriculum and Staff Development	123,970	3,733	50,332	(69,905)
21 Instructional Leadership	164,807	62,652	21,165	(80,990)
23 School Leadership	686,329	-	1,000	(685,329)
31 Guidance, Counseling and Evaluation Services	850,690	-	571,770	(278,920)
33 Health Services	198,050	60,027	-	(138,023)
34 Student (Pupil) Transportation	974,249	180,707	333,586	(459,956)
35 Food Services	661,128	112,471	506,468	(42,189)
36 Extracurricular Activities	595,977	65,582	-	(530,395)
41 General Administration	542,152	63,002	-	(479,150)
51 Facilities Maintenance and Operations	1,394,766	183,622	-	(1,211,144)
52 Security and Monitoring Services	48,006	35,038	-	(12,968)
53 Data Processing Services	157,767	36,851	-	(120,916)
61 Community Services	21,912	2,500	11,762	(7,650)
81 Capital Outlay	33,310	-	-	(33,310)
93 Payments related to Shared Services Arrangements	473,716	42,087	56,623	(375,006)
99 Other Intergovernmental Charges	120,525	-	-	(120,525)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 17,959,071	\$ 1,668,307	\$ 3,844,267	(12,446,497)

Data Control Codes	General Revenues:	
	Taxes:	
MI	Property Taxes, Levied for General Purposes	6,402,644
SF	State Aid - Formula Grants	5,962,727
IE	Investment Earnings	45,932
MI	Miscellaneous Local and Intermediate Revenue	755,928
FR	Transfers In (Out):	2,700
TR	Total General Revenues & Transfers	13,169,931
CN	Change in Net Position	723,434
NB	Net Position - Beginning	22,824,626
NE	Net Position--Ending	\$ 23,548,060

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, 2013

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 7,257,842	\$ 913,296	\$ 8,171,138
1220 Property Taxes - Delinquent	599,142	-	599,142
1230 Allowance for Uncollectible Taxes (Credit)	(419,400)	-	(419,400)
1240 Receivables from Other Governments	291,107	13,182	304,289
1250 Accrued Interest	5,350	-	5,350
1260 Due from Other Funds	27	-	27
1000 Total Assets	\$ 7,734,068	\$ 926,478	\$ 8,660,546
<b>LIABILITIES</b>			
2110 Accounts Payable	\$ 6,849	-	\$ 6,849
2160 Accrued Wages Payable	411,336	70,708	482,044
2300 Unearned Revenues	-	20,882	20,882
2000 Total Liabilities	418,185	91,590	509,775
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2601 Unavailable Revenue - Property Taxes	185,150	-	185,150
2600 Total Deferred Inflows of Resources	185,150	-	185,150
<b>FUND BALANCES</b>			
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	26,794	26,794
3480 Retirement of Long-Term Debt	-	107,101	107,101
3490 Other Restricted Fund Balance	-	700,993	700,993
Committed Fund Balance:			
3510 Construction	3,633,428	-	3,633,428
3530 Capital Expenditures for Equipment	900,681	-	900,681
3545 Other Committed Fund Balance	500,000	-	500,000
3600 Unassigned Fund Balance	2,096,624	-	2,096,624
3000 Total Fund Balances	7,130,733	834,888	7,965,621
4000 Total Liabilities, Deferred Inflows & Fund Balances	\$ 7,734,068	\$ 926,478	\$ 8,660,546

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 POSITION  
 AUGUST 31, 2013

<b>Total Fund Balances - Governmental Funds</b>	\$	7,965,621
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 position. The net effect of this consolidation is to increase(decrease) net position.		404,093
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 \$24,385,115 and the accumulated depreciation was \$10,464,579. The net effect of including the beginning balances for capital assets (net of depreciation) in the governmental activities is to increase (decrease) net position.		13,920,536
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 2013 capital outlays is to increase (decrease) net position.		1,759,046
4 The 2013 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(676,308)
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 unavailable revenue from property taxes as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		175,072
<b>19 Net Position of Governmental Activities</b>	<b>\$</b>	<b>23,548,060</b>

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, 2013**

Data Control Codes		10 General Fund	Other Funds	Total Governmental Funds
<b>REVENUES:</b>				
5700	Total Local and Intermediate Sources	\$ 7,251,536	\$ 1,605,632	\$ 8,857,168
5800	State Program Revenues	6,617,359	168,943	6,786,302
5900	Federal Program Revenues	-	3,023,788	3,023,788
5020	Total Revenues	13,868,895	4,798,363	18,667,258
<b>EXPENDITURES:</b>				
<b>Current:</b>				
0011	Instruction	7,828,552	2,453,465	10,282,017
0012	Instructional Resources and Media Services	224,751	-	224,751
0013	Curriculum and Instructional Staff Development	69,905	54,065	123,970
0021	Instructional Leadership	80,990	83,817	164,807
0023	School Leadership	685,329	1,000	686,329
0031	Guidance, Counseling and Evaluation Services	278,920	571,770	850,690
0033	Health Services	138,023	60,027	198,050
0034	Student (Pupil) Transportation	424,407	514,293	938,700
0035	Food Services	-	623,123	623,123
0036	Extracurricular Activities	557,684	-	557,684
0041	General Administration	457,943	63,002	520,945
0051	Facilities Maintenance and Operations	1,200,638	183,623	1,384,261
0052	Security and Monitoring Services	12,968	35,038	48,006
0053	Data Processing Services	120,916	36,851	157,767
0061	Community Services	7,650	14,262	21,912
<b>Capital Outlay:</b>				
0081	Facilities Acquisition and Construction	1,654,118	-	1,654,118
<b>Intergovernmental:</b>				
0093	Payments to Fiscal Agent/Member Districts of SSA	375,006	98,710	473,716
0099	Other Intergovernmental Charges	120,525	-	120,525
6030	Total Expenditures	14,238,325	4,793,046	19,031,371
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(369,430)	5,317	(364,113)
<b>OTHER FINANCING SOURCES (USES):</b>				
7912	Sale of Real and Personal Property	6,409	-	6,409
7915	Transfers In	2,700	177,539	180,239
8911	Transfers Out (Use)	(177,539)	-	(177,539)
7080	Total Other Financing Sources (Uses)	(168,430)	177,539	9,109
1200	Net Change in Fund Balances	(537,860)	182,856	(355,004)
0100	Fund Balance - September 1 (Beginning)	7,668,593	652,032	8,320,625
3000	Fund Balance - August 31 (Ending)	\$ 7,130,733	\$ 834,888	\$ 7,965,621

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, 2013

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	(355,004)
<p>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 position.</p>		
		(9,914)
<p>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 2013 capital outlays is to increase (decrease) net position.</p>		
		1,759,046
<p>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 position.</p>		
		(676,308)
<p>Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.</p>		
		5,614
<b>Change in Net Position of Governmental Activities</b>	\$	723,434

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, 2013**

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 6,468,916	\$ 7,139,767	\$ 7,251,536	\$ 111,769
5800	State Program Revenues	6,402,855	6,902,310	6,617,359	(284,951)
5020	Total Revenues	12,871,771	14,042,077	13,868,895	(173,182)
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	7,977,641	8,052,118	7,828,552	223,566
0012	Instructional Resources and Media Services	208,990	225,916	224,751	1,165
0013	Curriculum and Instructional Staff Development	72,348	72,471	69,905	2,566
0021	Instructional Leadership	72,176	81,324	80,990	334
0023	School Leadership	702,132	708,499	685,329	23,170
0031	Guidance, Counseling and Evaluation Services	282,760	280,437	278,920	1,517
0033	Health Services	140,106	141,437	138,023	3,414
0034	Student (Pupil) Transportation	395,536	461,886	424,407	37,479
0036	Extracurricular Activities	506,830	565,950	557,684	8,266
0041	General Administration	396,059	462,434	457,943	4,491
0051	Facilities Maintenance and Operations	1,374,785	1,325,411	1,200,638	124,773
0052	Security and Monitoring Services	10,200	13,115	12,968	147
0053	Data Processing Services	79,577	125,123	120,916	4,207
0061	Community Services	5,428	7,728	7,650	78
Capital Outlay:					
0081	Facilities Acquisition and Construction	15,000	1,695,469	1,654,118	41,351
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of	376,382	375,382	375,006	376
0099	Other Intergovernmental Charges	120,821	120,821	120,525	296
6030	Total Expenditures	12,736,771	14,715,521	14,238,325	477,196
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	135,000	(673,444)	(369,430)	304,014
<b>OTHER FINANCING SOURCES (USES):</b>					
7912	Sale of Real and Personal Property	-	6,000	6,409	409
7915	Transfers In	-	2,700	2,700	-
8911	Transfers Out (Use)	-	(177,539)	(177,539)	-
7080	Total Other Financing Sources (Uses)	-	(168,839)	(168,430)	409
1200	Net Change in Fund Balances	135,000	(842,283)	(537,860)	304,423
0100	Fund Balance - September 1 (Beginning)	7,668,593	7,668,593	7,668,593	-
3000	Fund Balance - August 31 (Ending)	\$ 7,803,593	\$ 6,826,310	\$ 7,130,733	\$ 304,423

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



**PROPRIETARY FUND FINANCIAL  
STATEMENTS**

MINEOLA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
AUGUST 31, 2013

	Governmental Activities -  Total Internal Service Funds
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 493,776
Total Assets	493,776
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	89,656
Due to Other Funds	27
Total Liabilities	89,683
<b>NET POSITION</b>	
Unrestricted Net Assets	\$ 404,093
Total Net Position	\$ 404,093

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 POSITION  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2013

		Governmental Activities -  Total Internal Service Funds
<b>OPERATING REVENUES:</b>		
Local and Intermediate Sources	\$	524
Total Operating Revenues		524
<b>OPERATING EXPENSES:</b>		
Payroll Costs		10,438
Total Operating Expenses		10,438
Operating Income (Loss)		(9,914)
Total Net Position - September 1 (Beginning)		414,007
Total Net Position - August 31 (Ending)	\$	404,093

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, 2013

	Governmental Activities -  Total Internal Service Funds
<b><u>Cash Flows from Operating Activities:</u></b>	
Cash Received from Assessments - Other Funds	\$ 524
Cash Payments for Insurance Claims	(14,562)
Net Cash Used for Operating Activities	(14,038)
<b><u>Cash Flows from Non-Capital Financing Activities:</u></b>	
Increase(decrease) in Short-term Loans	-
<b><u>Cash Flows from Capital &amp; Related Financing Activities:</u></b>	
Acquisition of Capital Assets	-
<b><u>Cash Flows from Investing Activities:</u></b>	
Purchase of Investment Securities	-
Net Decrease in Cash and Cash Equivalents	(14,038)
Cash and Cash Equivalents at Beginning of Year	507,814
Cash and Cash Equivalents at End of Year	\$ 493,776
<b><u>Reconciliation of Operating Income (Loss) to Net Cash</u></b>	
<b><u>Used for Operating Activities:</u></b>	
Operating Income (Loss):	\$ (9,914)
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	(4,124)
Net Cash Used for Operating Activities	\$ (14,038)

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 POSITION  
FIDUCIARY FUNDS  
AUGUST 31, 2013

	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ -	\$ 316,007
Restricted Assets	326,451	-
Total Assets	326,451	\$ 316,007
<b>LIABILITIES</b>		
Due to Student Groups	-	\$ 316,007
Total Liabilities	-	\$ 316,007
<b>NET POSITION</b>		
Restricted for Scholarships	326,451	
Total Net Position	\$ 326,451	

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

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

	Private Purpose Trust Funds
<b>ADDITIONS:</b>	
Local and Intermediate Sources	\$ 2,244
Total Additions	2,244
<b>DEDUCTIONS:</b>	
Other Operating Costs	250
Transfers Out	2,700
Total Deductions	2,950
Change in Net Position	(706)
Total Net Position - September 1 (Beginning)	327,157
Total Net Position - August 31 (Ending)	\$ 326,451

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, 2013

**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 Position 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 Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

## 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.

13. Deferred Outflows/Inflows of Resources—The District implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities for the year ended August 31, 2013. In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no type of item that qualifies for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item that qualifies for reporting in this category, property taxes. This amount will be recognized as an inflow of resources in the subsequent years as collected.

## 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 POSITION

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position. 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 Position
Land	1,016,596	-	1,016,444	
Buildings	19,971,310	(8,268,117)	11,703,193	
Furniture & Equipment	3,397,209	(2,196,462)	1,200,747	
Construction in Progress	-	-	-	
Change in Net Position	24,385,115	(10,464,579)		13,920,536
 Net Adjustment to Net Position				 13,920,536

**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 position 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. The District has no long-term debt. This adjustment affects both the net asset balance and the change in net position. The details of this adjustment are as follows:

	<u>Amount</u>	<u>Adjustments to Changes in Net Position</u>	<u>Adjustments to Net Position</u>
<u>Current year Capital Outlay</u>			
Land	-	-	-
Buildings	1,620,808	1,620,808	1,620,808
Furniture & Equipment	138,238	138,238	138,238
Total Capital Outlay	<u>1,759,046</u>	<u>1,759,046</u>	<u>1,759,046</u>
Disposition of Assets	-	-	-
<u>Debt Principal Payments</u>			
Total Principal Payments	-	-	-
Total Adjustment to Net Position	<u>-</u>	<u>1,759,046</u>	<u>1,759,046</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 Position</u>	<u>Adjustments to Net Position</u>
<u>Adjustments to Revenue and Deferred Revenue</u>			
Taxes Collected from Prior Year Levies	165,922	(165,922)	-
Uncollected taxes (assumed collectible) from Current Year Levy	144,840	144,840	144,840
Uncollected Taxes (assumed collectible) from Prior Year Levy	30,232	-	30,232
Effect of prior year tax entries	26,696	26,696	-
Total		<u>5,614</u>	<u>175,072</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, 2013 <u>Fund Balance</u>
Appropriated Budget Funds - Food Service Special Revenue Fund	26,794
Nonappropriated Budget Funds	<u>700,993</u>
All Special Revenue Funds	<u><u>727,787</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, 2013, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$8,374,105 and the bank balance was \$9,471,808. The District's cash deposits at August 31, 2013 and during the year ended August 31, 2013 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

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 \$12,800,274.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$11,333,366 and occurred during the month of January, 2013.



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, 2013, are shown below:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Average CreditQuality/ Ratings</u>	<u>Weighted Avg. Days to Maturity</u>
Texpool	930,773	AAAm	51 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, 2013 consisted of the following individual fund balances:

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

\$177,539 was transferred from the general fund to the special education cooperative fund (Fund 437) on Mineola I.S.D.'s books.

**E. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables at August 31, 2013, were as follows:

	<u>Property Taxes</u>	<u>Other Governments</u>	<u>Due From Other Funds</u>	<u>Other</u>	<u>Total Receivables</u>
<b>Governmental Activities:</b>					
General Fund	599,142	291,107	27	5,350	895,626
Nonmajor Governmental Funds	-	13,182	-	-	13,182
<b>Total- Governmental Activities</b>	<b>599,142</b>	<b>304,289</b>	<b>27</b>	<b>5,350</b>	<b>908,808</b>
 Amounts not scheduled for collection during the subsequent year	 419,400	 -	 -	 -	 419,400

Payables at August 31, 2013, were as follows:

	<u>Accounts</u>	<u>Loans, Leases &amp; Bonds Payable- Current Year</u>	<u>Salaries &amp; Benefits</u>	<u>Due to Other Funds</u>	<u>Due to Other Governments</u>	<u>Total Payables</u>
<b>Governmental Activities:</b>						
General Fund	6,849	-	411,336	-	-	418,185
Nonmajor Governmental Funds	-	-	70,708	-	-	70,708
Internal Service Funds	-	-	-	27	-	27
<b>Total- Governmental Activities</b>	<b>6,849</b>	<b>-</b>	<b>482,044</b>	<b>27</b>	<b>-</b>	<b>488,920</b>
 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, 2013, was as follows:

	Primary Government			
	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u> <u>Balance</u>
Governmental Activities:				
District:				
Land	1,016,596	-	-	1,016,596
Buildings and Improvements	19,971,310	1,620,808	-	21,592,118
Furniture and Equipment	3,397,209	138,238	(10,000)	3,525,447
Construction in Progress	-	-	-	-
Totals at Historic Cost	<u>24,385,115</u>	<u>1,759,046</u>	<u>(10,000)</u>	<u>26,134,161</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(8,268,117)	(428,473)	-	(8,696,590)
Furniture and Equipment	(2,196,462)	(247,835)	10,000	(2,434,297)
Total Accumulated Depreciation	<u>(10,464,579)</u>	<u>(676,308)</u>	<u>10,000</u>	<u>(11,130,887)</u>
Governmental Activities Capital Assets, Net	<u>13,920,536</u>	<u>1,082,738</u>	<u>-</u>	<u>15,003,274</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	430,043
Student (Pupil) Transportation	138,255
Food Services	38,005
Curricular/Extracurricular Activities	38,293
General Administration	21,207
Plant Maintenance and Operations	10,505
Total Depreciation Expense	<u>676,308</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](http://www.trs.state.tx.us), under the TRS Publications heading.

**Funding Policy.** State law provides for fiscal years 2011, 2012 and 2013 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, 2011, 2012 and 2013 were \$591,221, \$560,690, and \$654,632 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 \$36,597 and \$25,897 respectively. MINEOLA INDEPENDENT SCHOOL DISTRICT paid additional state contributions for the years ended August 31, 2011, 2012 and 2013 in the amount of \$162,611, \$138,633, and \$163,561 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, 2013. The District paid \$223 per month per month per employee.

### Maintenance of Effort--

Total Annual Premiums for health care for 2012/2013	551,503
Subtract any non-medical expenses	-
2012/2013 Maintenance of Effort	<u>551,503</u>

## I. CHANGES IN LONG-TERM LIABILITIES

The District has no long-term debt.

**J. UNEARNED REVENUE**

Unearned revenue at year end consisted of the following:

	General Fund	Special Revenue Fund	Total
Technology Grant	-	-	-
Other	-	20,882	20,882
Total Deferred Revenue	-	20,882	20,882

**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, 2013, 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 Settlements	Federal Grants	Other	Total
General	285,699	-	5,408	291,107
Special Revenue	850	12,332	-	13,182
Total Deferred Revenue	286,549	12,332	5,408	304,289

**L. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES**

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

	General Fund	Debt Service Fund	Non-major Special Revenue Fund	Total
Property Taxes	6,397,030	-	-	6,397,030
Penalties, Interest and Other				
Tax-related Income	99,139	-	-	99,139
Investment Income	43,111	112	2,185	45,408
Food Sales	-	-	112,472	112,472
Co-curricular Student Activities	65,582	-	-	65,582
Head Start Reimbursement	99,878	-	-	99,878
Foundations, Gifts, & Bequests	469,951	-	-	469,951
SSA-Special Ed	-	-	1,409,313	1,409,313
SSA-Super Net II	-	-	80,291	80,291
Other	76,845	-	1,259	78,104
Total	7,251,536	112	1,605,520	8,857,168

**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 2013, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three 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 \$476,334 at August 31, 2013. Estimates of claims payable and of claims incurred, but not reported at August 31, 2013, 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>8/31/2013</u>	<u>8/31/2012</u>
Unpaid claims, beginning of year	62,226	63,306
Insured claims	12,253	10,668
Claim, payments	<u>(14,561)</u>	<u>(11,748)</u>
Unpaid claims, end of year	<u><u>59,918</u></u>	<u><u>62,226</u></u>

**O. COMMITMENTS AND CONTINGENCIES**

The District has no significant commitments or contingencies at August 31, 2013

**P. DEFERRED INFLOWS OF RESOURCES**

In the government wide statements and the governmental fund financial statements the amount of property taxes receivable expected to be collected in the future is reflected as a deferred inflow of resources and will be recognized as such each year as it is collected.

**Q. LITIGATION**

The District has no pending litigation at August 31, 2013.

**R. SUBSEQUENT EVENTS**

Administration has evaluated subsequent events through November 14, 2013, the financial statement issuance date.

**S. 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, 2013 was as follows:

Alba-Golden I.S.D.	194,794
Hawkins I.S.D.	170,974
Quitman I.S.D.	261,051
Winnsboro I.S.D.	336,686
Yantis I.S.D.	78,897
Mineola I.S.D.	366,911
	<u>1,409,313</u>

**T. 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, 2013 was as follows:

Beckville I.S.D.	7,516
Brownsboro I.S.D.	9,344
Marshall I.S.D.	7,481
Quitman I.S.D.	7,932
Rusk I.S.D.	8,772
Troup I.S.D.	7,896
Waskom I.S.D.	7,660
Gilmer I.S.D.	7,481
Hughes Springs I.S.D.	7,929
Mineola I.S.D.	8,281
	<u>80,292</u>

# **COMBINING SCHEDULES**



## **NON-MAJOR GOVERNMENTAL FUNDS**

MINEOLA INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2013

Data Control Codes	211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ -	\$ 25,233	\$ -
1240 Receivables from Other Governments	-	12,332	-
1000 Total Assets	\$ -	\$ 37,565	\$ -
<b>LIABILITIES</b>			
2160 Accrued Wages Payable	\$ -	\$ 10,771	\$ -
2300 Unearned Revenues	-	-	-
2000 Total Liabilities	-	10,771	-
<b>FUND BALANCES</b>			
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	26,794	-
3480 Retirement of Long-Term Debt	-	-	-
3490 Other Restricted Fund Balance	-	-	-
3000 Total Fund Balances	-	26,794	-
4000 Total Liabilities and Fund Balances	\$ -	\$ 37,565	\$ -

EXHIBIT F-1

255 ESEA II, A Training and Recruiting	270 ESEA VI, Pt B Rural & Low Income	313 SSA IDEA, Part B Formula	314 SSA IDEA, Part B Preschool	315 SSA IDEA, Part B Discretionary	404 Student Success Initiative	410 Textbook & Kindergarten Materials	434 SSA - SSVI Visually Impaired
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (850)	\$ -
-	-	-	-	-	-	850	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

MINEOLA INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2013

Data Control Codes	437 SSA Special Education	459 Other SSA Special Revenue Funds	499 Other Local Special Revenue Funds	Total Nonmajor Special Revenue Funds	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ 726,759	\$ 55,053	\$ -	\$ 806,195
1240	Receivables from Other Governments	-	-	-	13,182
1000	<b>Total Assets</b>	<b>\$ 726,759</b>	<b>\$ 55,053</b>	<b>\$ -</b>	<b>\$ 819,377</b>
<b>LIABILITIES</b>					
2160	Accrued Wages Payable	\$ 59,937	-	-	\$ 70,708
2300	Unearned Revenues	-	20,882	-	20,882
2000	<b>Total Liabilities</b>	<b>59,937</b>	<b>20,882</b>	<b>-</b>	<b>91,590</b>
<b>FUND BALANCES</b>					
<b>Restricted Fund Balance:</b>					
3450	Federal or State Funds Grant Restriction	-	-	-	26,794
3480	Retirement of Long-Term Debt	-	-	-	-
3490	Other Restricted Fund Balance	666,822	34,171	-	700,993
3000	<b>Total Fund Balances</b>	<b>666,822</b>	<b>34,171</b>	<b>-</b>	<b>727,787</b>
4000	<b>Total Liabilities and Fund Balances</b>	<b>\$ 726,759</b>	<b>\$ 55,053</b>	<b>\$ -</b>	<b>\$ 819,377</b>

<u>599</u> Debt Service Fund	<u>Total</u> Nonmajor Governmental Funds
\$ 107,101	\$ 913,296
-	13,182
\$ 107,101	\$ <u>926,478</u>
\$ -	\$ 70,708
-	20,882
-	<u>91,590</u>
-	26,794
107,101	107,101
-	700,993
<u>107,101</u>	<u>834,888</u>
\$ 107,101	\$ 926,478

**MINEOLA INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

Data Control Codes	211 ESFA I, A Improving Basic Program	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant
<b>REVENUES:</b>			
5700 Total Local and Intermediate Sources	\$ -	\$ 112,580	\$ -
5800 State Program Revenues	-	3,845	-
5900 Federal Program Revenues	550,030	506,469	26,993
5020 Total Revenues	550,030	622,894	26,993
<b>EXPENDITURES:</b>			
<b>Current:</b>			
0011 Instruction	468,797	-	22,082
0013 Curriculum and Instructional Staff Development	45,639	-	-
0021 Instructional Leadership	21,165	-	-
0023 School Leadership	1,000	-	-
0031 Guidance, Counseling and Evaluation Services	1,667	-	4,911
0033 Health Services	-	-	-
0034 Student (Pupil) Transportation	-	-	-
0035 Food Services	-	623,123	-
0041 General Administration	-	-	-
0051 Facilities Maintenance and Operations	-	-	-
0052 Security and Monitoring Services	-	-	-
0053 Data Processing Services	-	-	-
0061 Community Services	11,762	-	-
<b>Intergovernmental:</b>			
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-
6030 Total Expenditures	550,030	623,123	26,993
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(229)	-
<b>OTHER FINANCING SOURCES (USES):</b>			
7915 Transfers In	-	-	-
7080 Total Other Financing Sources (Uses)	-	-	-
1200 Net Change in Fund Balance	-	(229)	-
0100 Fund Balance - September 1 (Beginning)	-	27,023	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ 26,794	\$ -

EXHIBIT F-2

255 ESEA II, A Training and Recruiting	270 ESEA VI, Pt B Rural & Low Income	313 SSA IDEA, Part B Formula	314 SSA IDEA, Part B Preschool	315 SSA IDEA, Part B Discretionary	404 Student Success Initiative	410 Textbook & Kindergarten Materials	434 SSA - SSVI Visually Impaired
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	6,980	135,418	4,700
105,092	32,538	1,226,850	33,912	282,526	-	-	-
105,092	32,538	1,226,850	33,912	282,526	6,980	135,418	4,700
102,817	32,538	531,577	33,912	282,526	4,562	135,418	4,700
2,275	-	-	-	-	2,418	-	-
-	-	-	-	-	-	-	-
-	-	361,687	-	-	-	-	-
-	-	333,586	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
105,092	32,538	1,226,850	33,912	282,526	6,980	135,418	4,700
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**MINEOLA INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

Data Control Codes	437 SSA Special Education	459 Other SSA Special Revenue Funds	499 Other Local Special Revenue Funds	Total Nonmajor Special Revenue Funds	
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 1,412,649	\$ 80,291	\$ -	\$ 1,605,520
5800	State Program Revenues	-	-	18,000	168,943
5900	Federal Program Revenues	259,378	-	-	3,023,788
5020	Total Revenues	<u>1,672,027</u>	<u>80,291</u>	<u>18,000</u>	<u>4,798,251</u>
<b>EXPENDITURES:</b>					
<b>Current:</b>					
0011	Instruction	816,036	500	18,000	2,453,465
0013	Curriculum and Instructional Staff Development	3,733	-	-	54,065
0021	Instructional Leadership	62,652	-	-	83,817
0023	School Leadership	-	-	-	1,000
0031	Guidance, Counseling and Evaluation Services	203,505	-	-	571,770
0033	Health Services	60,027	-	-	60,027
0034	Student (Pupil) Transportation	180,707	-	-	514,293
0035	Food Services	-	-	-	623,123
0041	General Administration	63,002	-	-	63,002
0051	Facilities Maintenance and Operations	118,681	64,942	-	183,623
0052	Security and Monitoring Services	35,038	-	-	35,038
0053	Data Processing Services	36,851	-	-	36,851
0061	Community Services	2,500	-	-	14,262
<b>Intergovernmental:</b>					
0093	Payments to Fiscal Agent/Member Districts of SSA	86,710	12,000	-	98,710
6030	Total Expenditures	<u>1,669,442</u>	<u>77,442</u>	<u>18,000</u>	<u>4,793,046</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	2,585	2,849	-	5,205
<b>OTHER FINANCING SOURCES (USES):</b>					
7915	Transfers In	177,539	-	-	177,539
7080	Total Other Financing Sources (Uses)	<u>177,539</u>	<u>-</u>	<u>-</u>	<u>177,539</u>
1200	Net Change in Fund Balance	180,124	2,849	-	182,744
0100	Fund Balance - September 1 (Beginning)	<u>486,698</u>	<u>31,322</u>	<u>-</u>	<u>545,043</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 666,822</u>	<u>\$ 34,171</u>	<u>\$ -</u>	<u>\$ 727,787</u>



599 Debt Service Fund	Total Nonmajor Governmental Funds
\$ 112	\$ 1,605,632
-	168,943
-	3,023,788
<u>112</u>	<u>4,798,363</u>
-	2,453,465
-	54,065
-	83,817
-	1,000
-	571,770
-	60,027
-	514,293
-	623,123
-	63,002
-	183,623
-	35,038
-	36,851
-	14,262
-	<u>98,710</u>
-	<u>4,793,046</u>
<u>112</u>	<u>5,317</u>
-	177,539
-	<u>177,539</u>
112	182,856
<u>106,989</u>	652,032
<u>\$ 107,101</u>	<u>\$ 834,888</u>

# **PRIVATE PURPOSE TRUST FUNDS**

MINEOLA INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF NET POSITION  
 PRIVATE PURPOSE TRUST FUNDS  
 AUGUST 31, 2013

	847 Dan Peacock Trust	848 English Trust Scholarship	849 Investment Trust Fund	Total Private Purpose Trust Funds
<b>ASSETS</b>				
Restricted Assets	\$ 16,090	\$ 235,648	\$ 74,713	\$ 326,451
Total Assets	16,090	235,648	74,713	326,451
<b>NET POSITION</b>				
Restricted for Scholarships	16,090	235,648	74,713	326,451
Total Net Position	\$ 16,090	\$ 235,648	\$ 74,713	\$ 326,451

MINEOLA INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
 PRIVATE PURPOSE TRUST FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2013

	847 Dan Peacock Trust	848 English Trust Scholarship	849 Investment Trust Fund	Total Private Purpose Trust Funds
<b>ADDITIONS:</b>				
Local and Intermediate Sources	\$ 16	\$ 246	\$ 1,982	\$ 2,244
Total Additions	16	246	1,982	2,244
<b>DEDUCTIONS:</b>				
Other Operating Costs	-	250	-	250
Transfers Out	-	-	2,700	2,700
Total Deductions	-	250	2,700	2,950
Change in Net Position	16	(4)	(718)	(706)
Total Net Position - September 1 (Beginning)	16,074	235,652	75,431	327,157
Total Net Position - August 31 (Ending)	\$ 16,090	\$ 235,648	\$ 74,713	\$ 326,451

## **REQUIRED T.E.A. SCHEDULES**

MINEOLA INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
 FISCAL YEAR ENDED AUGUST 31, 2013

Last 10 Years Ended August 31	Tax Rates		(3) Assessed/Appraised Value for School Tax Purposes
	(1) Maintenance	(2) Debt Service	
2004 and prior years	Various	Various	\$ Various
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	1.170000	0.000000	471,854,017
2013 (School year under audit)	1.170000	0.000000	549,269,915
1000 TOTALS			

	(10) Beginning Balance 9/1/2012	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2013
\$	155,729	\$ -	\$ 23,542	\$ -	\$ -	\$ 132,187
	23,172	-	4,617	-	-	18,555
	24,804	-	4,243	-	-	20,561
	25,128	-	4,045	-	-	21,083
	24,638	-	4,555	-	-	20,083
	34,786	-	6,895	-	-	27,891
	50,566	-	14,099	-	-	36,467
	80,548	-	28,639	-	-	51,909
	164,643	-	75,287	-	-	89,356
	-	6,426,458	6,231,108	-	(14,300)	181,050
\$	\$ 584,014	\$ 6,426,458	\$ 6,397,030	\$ -	\$ (14,300)	\$ 599,142

**MINEOLA INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2014-2015**  
**GENERAL AND SPECIAL REVENUE FUNDS**  
**AUGUST 31, 2013**

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

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collections	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (other) Miscellaneous	7 Total
611X-6146	PAYROLL COSTS	\$ 18,007	\$ 34,505	\$ 164,373	\$ 143,033		\$ 1,392	\$ 361,310
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	-	-	-	-	1,520	-	1,520
6212	Audit Services	-	-	-	17,975	-	-	17,975
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	120,525	-	-	-	-	120,525
6214	Lobbying	-	-	-	-	-	-	-
621X	Other Professional Services	-	-	-	-	-	-	-
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	600	3,078	500	-	4,178
6240	Contr. Maint. and Repair	-	-	-	-	18,964	-	18,964
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	2,868	-	-	2,868
6290	Miscellaneous Contr.	2,132	1,600	-	12,402	-	-	16,134
6320	Textbooks and Reading	-	-	28	-	-	-	28
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	4,768	3,781	2,337	5,149	-	-	16,035
6410	Travel, Subsistence, Stipends	4,903	562	2,093	1,814	-	-	9,372
6420	Ins. and Bonding Costs	4,243	250	-	71	-	-	4,564
6430	Election Costs	1,761	-	-	-	-	-	1,761
6490	Miscellaneous Operating	7,337	626	1,450	8,656	3,630	-	21,699
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	<b>TOTAL</b>	<b>\$ 43,151</b>	<b>\$ 161,849</b>	<b>\$ 170,881</b>	<b>\$ 195,046</b>	<b>\$ 24,614</b>	<b>\$ 1,392</b>	<b>\$ 596,933</b>

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 19,031,371

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 2,804,285
Total Debt & Lease(6500)	(11)	-
Plant Maintenance (Function 51, 6100-6400)	(12)	1,377,578
Food (Function 35, 6341 and 6499)	(13)	246,221
Stipends (6413)	(14)	-
Column 4 (above) - Total Indirect Cost		195,046

SubTotal: 4,623,131

Net Allowed Direct Cost \$ 14,408,240

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 21,592,118
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)	\$ 3,525,447
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ -
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ -

(8) NOTE A: \$18,465 in Function 53 expenditures are included in this report on administrative costs.  
 \$120,525 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, 2013

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 130,000	\$ 111,250	\$ 112,580	\$ 1,330
5800 State Program Revenues	5,000	3,800	3,845	45
5900 Federal Program Revenues	520,000	492,750	506,469	13,719
5020 Total Revenues	655,000	607,800	622,894	15,094
<b>EXPENDITURES:</b>				
0035 Food Services	655,000	658,384	623,123	35,261
6030 Total Expenditures	655,000	658,384	623,123	35,261
1200 Net Change in Fund Balances	-	(50,584)	(229)	50,355
0100 Fund Balance - September 1 (Beginning)	27,023	27,023	27,023	-
3000 Fund Balance - August 31 (Ending)	\$ 27,023	\$ (23,561)	\$ 26,794	\$ 50,355

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, 2013

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ -	\$ 107	\$ 112	\$ 5
5020	Total Revenues	-	107	112	5
1200	Net Change in Fund Balances	-	107	112	5
0100	Fund Balance - September 1 (Beginning)	106,989	106,989	106,989	-
3000	Fund Balance - August 31 (Ending)	\$ 106,989	\$ 107,096	\$ 107,101	\$ 5

**REPORTS ON  
INTERNAL CONTROLS, COMPLIANCE  
AND  
FEDERAL AWARDS**



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

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 Amy E. Smith, C.P.A.

MEMBER  
 American Institute Of  
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 Texas State Society Of  
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
 AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
 PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees  
 Mineola Independent School District  
 Mineola, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mineola Independent School District, as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 14, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

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

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

November 14, 2013



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

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Trustees  
Mineola Independent School District  
Mineola, Texas

**Report on Compliance for Each Major Federal Program**

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 the District's major federal programs for the year ended August 31, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2013.

**Report on Internal Control Over Compliance**

Management of the District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

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

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

November 14, 2013

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

**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 unmodified 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. Unmodified
- 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; ESEA Title I, Part A CFDA# 84.010A
- 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, 2013

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, 2013

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, 2013

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through State Department of Education</u>			
*Title I School Improvement	84.010A	13610104250903001	\$ 15,000
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	13610101250903	535,030
Total CFDA Number 84.010A			550,030
*SSA - IDEA - Part B, Formula	84.027A	136600012509036600	1,226,850
*SSA - IDEA - Part B, Discretionary	84.027A	136600022509036677	282,526
Total CFDA Number 84.027A			1,509,376
*SSA - IDEA - Part B, Preschool	84.173A	136610012509036610	33,912
Total Special Education Cluster (IDEA)			1,543,288
Carl D Perkins - Basic Grant	84.048A	13420006250903	26,993
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	13696001250903	32,538
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	13694501250903	105,092
Total Passed Through State Department of Education			\$ 2,257,941
<b>TOTAL DEPARTMENT OF EDUCATION</b>			<b>\$ 2,257,941</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<u>Passed Through State</u>			
SHARS	93.778	N/A	\$ 259,378
Total Passed Through State			\$ 259,378
<b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>\$ 259,378</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	N/A	\$ 107,799
*National School Lunch Program - Cash Assistance	10.555	N/A	362,223
*National School Lunch Prog. - Non-Cash Assistance	10.555	N/A	36,447
Total CFDA Number 10.555			398,670
Total Child Nutrition Cluster			506,469
Total Passed Through the State Department of Agriculture			\$ 506,469
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			<b>\$ 506,469</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 3,023,788</b>

\*Clustered Programs

MINEOLA INDEPENDENT SCHOOL DISTRICT  
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS  
YEAR ENDED AUGUST 31, 2013

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.