

# AUDIT / FINANCIAL STATEMENT ROUTE SHEET

Date In \_\_\_\_\_

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Client's Name

Year \_\_\_\_\_

6010  
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Exh	E-1	p	37 & 38	(not 39)
	E-2	p	40 & 41	(not 42)
	J-1	p	43 & 44	

**MILLER GROVE  
INDEPENDENT SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED**

**AUGUST 31, 2009**

MILLER GROVE INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2009

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CERTIFICATE OF BOARD

Miller Grove Independent School District  
Name of School District

Hopkins  
County

112-907  
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, 2009 at a meeting of the Board of Trustees of such school district on the \_\_\_\_\_ day of \_\_\_\_\_, 200\_\_.

\_\_\_\_\_  
Signature of Board Secretary

\_\_\_\_\_  
Signature of Board President

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



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

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

MEMBER

American Institute Of  
Certified Public Accountants

Texas State Society Of  
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Miller Grove Independent School District  
Miller Grove, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Miller Grove Independent School District (the District) as of and for the year ended August 31, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Miller Grove Independent School District as of August 31, 2009, and the respective changes in financial position, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2009, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 4 through 12 and pages 47 and 48 respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion 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 combining and individual non-major fund financial statements 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.

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 through J-5. Except for Exhibit J-3 (Cash Flow and the Optimum Fund Balance Calculation Schedule) which is marked UNAUDITED and on which we express no opinion, these schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

October 29, 2009

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the MILLER GROVE Independent School District we offer readers of the MILLER GROVE Independent School District's financial statements this narrative overview and analysis of the financial activities of the MILLER GROVE Independent School District for the year ended August 31, 2009. The information presented here should be read in conjunction with the District's financial statements.

### FINANCIAL HIGHLIGHTS

The District's total combined net assets were \$1.6 million at August 31, 2009. During the year, the District's total revenues exceeded expenses by \$419 thousand. Total expenses of the District were \$2.3 million for the year.

The District reported fund balance in the general fund of \$511 thousand at August 31, 2009, which is an increase of approximately \$366 thousand. Expenditures were down \$12 thousand. Revenues were up \$292 thousand. Property tax revenue was up \$73 thousand. State aid was up \$243 thousand. The general fund balance increased \$62 thousand the prior year.

\$70 thousand of debt was retired during the year.

Approximately 94% of the taxes levied for 2008-09 were collected by fiscal year end.

## OVERVIEW OF THE FINANCIAL STATEMENTS

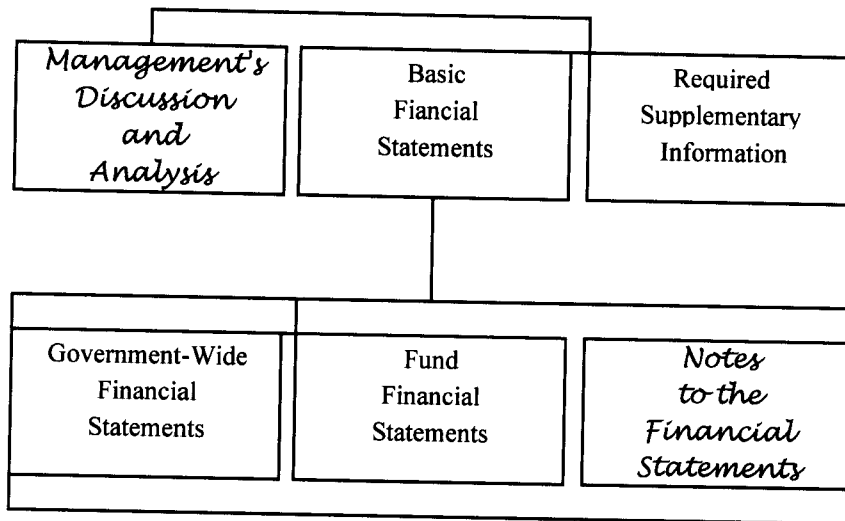
This annual report consists of three parts--*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- 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.
  - *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government wide statements or the fund financial statements.

The combining statements for non-major funds contain even more information about the District's individual funds. These are not required by TEA. The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

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



Summary ⇌ Detail

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



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

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

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

(A) The District has no enterprise funds.

## Government-wide Statements

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

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

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

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

## Fund Financial Statements

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

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

The District has two 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.
- *Fiduciary funds*-The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that-because of a trust arrangement-can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These activities are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets. The District's combined net assets were approximately \$1.6 million at August 31, 2009.

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

	Governmental Activities	
	2009	2008
Current and other assets	685	328
Capital and non-current assets	3,326	3,364
<b>TOTAL ASSETS</b>	<b>4,011</b>	<b>3,692</b>
Long-term liabilities	2,340	2,410
Other liabilities	53	83
<b>TOTAL LIABILITIES</b>	<b>2,393</b>	<b>2,493</b>
Net assets		
Invested in capital assets net of related debt	986	956
Restricted	103	85
Unrestricted	529	158
<b>TOTAL NET ASSETS</b>	<b>1,618</b>	<b>1,199</b>

Net assets invested in capital assets net of related debt reflects the book value of the District's capital assets in excess of the debt which financed those assets. The \$529 thousand of unrestricted net assets represents resources available to fund the programs of the District for the next fiscal year.

The \$103 thousand is restricted as follows:

Restricted for food service	8
Restricted for debt service	95
	<u>103</u>

Net assets of the District's governmental activities increased from \$1.2 million to \$1.6 million, or \$419 thousand. The increase was the result of three main factors. First, the District's revenues exceeded expenditures by \$382 thousand. Second, the District paid \$70 thousand principal on long-term debt and purchased fixed assets of \$61 thousand. Third, the District recorded depreciation of \$100 thousand.

Changes in net assets.

The District's total revenues were \$2.7 million. 20% of this comes from taxes, 62% was from state aid formula grants and 11% came from operating grants and contributions.

The total cost of all programs was \$2.3 million. Approximately 63% of this was for instructional and student services.

Net assets increased by \$419 thousand from the excess of expenses over revenues.

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

	Governmental Activities	
	2009	2008
<b>Revenues</b>		
Program Revenues		
Charges for Services	57	55
Operating Grants and Contributions	315	314
<u>General Revenues</u>		
Property Taxes	568	485
State aid - formula	1,705	1,458
Investment earnings	3	14
Other	94	110
<b>Total Revenues</b>	<u>2,742</u>	<u>2,436</u>
<b>Expenses</b>		
Instruction and instructional related	1,312	1,397
Instructional leadership/school administration	154	171
Guidance, social work, health, transportation	65	63
Food services	123	115
Extracurricular activities	46	49
General Administration	152	141
Plant maintenance and security	230	213
Data processing services	34	33
Debt service	120	124
Pmts to fiscal agent/member districts - shared service	87	92
<b>Total Expenses</b>	<u>2,323</u>	<u>2,398</u>
<b>Increase (Decrease) in Net Assets</b>	419	38
<b>Beginning Net Assets</b>	<u>1,199</u>	<u>1,161</u>
<b>Ending Net Assets</b>	<u><u>1,618</u></u>	<u><u>1,199</u></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 \$2.3 million.
- However, the amount that taxpayers paid for these activities through property taxes was only \$568 thousand.
- Some of the cost was paid by those who directly benefited from the programs (\$57 thousand), or by grants and contributions (\$315 thousand).

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

	Services		Services	
	2009	2008	2009	2008
Instruction	1,312	1,397	1,095	1,146
School administration	154	171	139	167
Plant Maintenance & Operations	230	213	221	208
Debt Service-Interest & Fiscal Charges	120	124	120	124

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

The District reported fund balance in its governmental funds of approximately \$615 thousand reflecting a net increase of \$383 thousand.

Expenditures were down \$12 thousand in the general fund. Revenues were up about \$292 thousand. The increase to the general fund balance was \$366 thousand which is \$304 thousand more than the previous year.

## General Fund Budgetary Highlights

Several budget amendments were made during the year. In total, actual expenditures were less than budgeted by \$134 thousand. All functions were properly budgeted.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

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

	Governmental Activities	
	2009	2008
Land	<u>67</u>	<u>67</u>
Buildings and improvements	4,116	4,116
Furniture and equipment	<u>455</u>	<u>393</u>
Totals at historical cost	<u>4,638</u>	<u>4,576</u>
Total accumulated depreciation	<u>(1,312)</u>	<u>(1,212)</u>
Net capital assets	<u>3,326</u>	<u>3,364</u>

### Long-Term Debt

Table A-5  
District's Long-Term Debt  
(in thousands of dollars)

	Governmental	
	2009	2008
Bonds payable	<u>2,340</u>	<u>2,410</u>
Notes payable	<u>-</u>	<u>-</u>
Total bonds and notes payable	<u>2,340</u>	<u>2,410</u>

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

The Miller Grove Independent School District's Board of Trustees and administrative Staff considered many factors when setting the fiscal year 2010 budget and tax rates. One of these factors is the economy. The district's population growth has been slow over the past few years and we have experienced a slight increase in ADA of approximately ten students per year. This year however, enrollment is a little higher than the ending of last year. We do not know where these new students have come from or how long they will be here. For all planning purposes, the old enrollment will continue to be used until an established pattern of something different is established.

In the past year, appraised property values have risen approximately 3%, yet we were fortunate that we were successful in passing a rollback election last year allowing us to raise the M&O rate to \$1.17. There has been a small increase in the amount of property available for purchase, yet sales are slow due to the depressed economy. It appears that the majority of the homes sold in the past year are to retired people with no school-aged children. Growth is expected in the future as more affordable housing becomes available.

Miller Grove ISD is primarily an agricultural area. While unemployment remains low, there has been slow change in the occupation of district residents. The number of residents who work in jobs outside district boundaries continues to rise, but is affected by the cost of fuel.

The Board knew that some difficult personnel decisions had to be made and agreed to cut four positions before the 2007-2008 school year. In addition, two more positions were not filled before the 2008-2009 school to provide additional cost savings.

The above factors were taken into consideration when adopting the General Fund Budget for 2010. The Board knows that several areas must be addressed in the next year or two. There is a need for two to three busses to replace old, high mileage buses used on the routes each day. Changes have to be made in the cafeteria to comply with changes in food preparation and replace failing kitchen equipment. Finally, plant maintenance issues, for example failing A/C units, must plan on being replaced as they fail.

It was the Board's wish to help increase the fund balance and provide additional monies to cover unexpected costs if they arose. The Board voted to maintain the \$1.17 M&O rate allowed by the election. A balanced budget was adopted for the 09-10 school year.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Miller Grove 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**

•

MILLER GROVE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
AUGUST 31, 2009

EXHIBIT A-1

Data Control Codes	Primary Government  Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 521,957
1220 Property Taxes Receivable (Delinquent)	63,206
1230 Allowance for Uncollectible Taxes	(43,992)
1240 Due from Other Governments	141,165
1290 Other Receivables, net	3,426
Capital Assets:	
1510 Land	66,810
1520 Buildings, Net	3,174,557
1530 Furniture and Equipment, Net	84,135
1000 Total Assets	4,011,264
<b>LIABILITIES</b>	
2160 Accrued Wages Payable	50,742
2200 Accrued Expenses	1,214
2300 Deferred Revenues	932
Noncurrent Liabilities	
2501 Due Within One Year	70,000
2502 Due in More Than One Year	2,270,000
2000 Total Liabilities	2,392,888
<b>NET ASSETS</b>	
3200 Invested in Capital Assets, Net of Related Debt	985,502
3840 Restricted for Food Service	8,423
3850 Restricted for Debt Service	95,265
3900 Unrestricted Net Assets	529,186
3000 Total Net Assets	\$ 1,618,376

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

MILLER GROVE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2009

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
		3	4	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
<b>Primary Government:</b>				
<b>GOVERNMENTAL ACTIVITIES:</b>				
11 Instruction	\$ 1,266,201	\$ -	\$ 215,571	\$ (1,050,630)
12 Instructional Resources and Media Services	34,358	-	1,516	(32,842)
13 Curriculum and Instructional Staff Development	11,528	-	150	(11,378)
21 Instructional Leadership	5,549	-	2,299	(3,250)
23 School Leadership	148,675	-	13,423	(135,252)
33 Health Services	191	-	-	(191)
34 Student (Pupil) Transportation	64,461	-	1,258	(63,203)
35 Food Services	122,888	46,580	73,690	(2,618)
36 Extracurricular Activities	45,655	3,822	957	(40,876)
41 General Administration	152,417	-	4,203	(148,214)
51 Plant Maintenance and Operations	229,965	6,832	1,911	(221,222)
53 Data Processing Services	33,635	-	-	(33,635)
72 Debt Service - Interest on Long Term Debt	118,510	-	-	(118,510)
73 Debt Service - Bond Issuance Cost and Fees	1,519	-	-	(1,519)
93 Payments to Fiscal Agent/Member Districts of SSA	87,675	-	-	(87,675)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 2,323,227	\$ 57,234	\$ 314,978	(1,951,015)
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			504,192
DT	Property Taxes, Levied for Debt Service			63,498
SF	State Aid - Formula Grants			1,705,480
GC	Grants and Contributions not Restricted			500
IE	Investment Earnings			3,370
MI	Miscellaneous Local and Intermediate Revenue			92,821
TR	Total General Revenues			2,369,861
CN	Change in Net Assets			418,846
NB	Net Assets--Beginning			1,199,530
NE	Net Assets--Ending			\$ 1,618,376

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

**GOVERNMENTAL FUND FINANCIAL  
STATEMENTS**

MILLER GROVE INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2009

EXHIBIT C-1

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ 421,634	\$ 94,354	\$ 5,969	\$ 521,957
1220 Property Taxes - Delinquent	55,621	7,585	-	63,206
1230 Allowance for Uncollectible Taxes (Credit)	(41,716)	(2,276)	-	(43,992)
1240 Due from Other Governments	134,603	-	6,562	141,165
1290 Other Receivables	2,515	911	-	3,426
1000 Total Assets	\$ 572,657	\$ 100,574	\$ 12,531	\$ 685,762
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
2160 Accrued Wages Payable	\$ 46,988	\$ -	\$ 3,754	\$ 50,742
2200 Accrued Expenditures	860	-	354	1,214
2300 Deferred Revenues	13,905	5,309	-	19,214
2000 Total Liabilities	61,753	5,309	4,108	71,170
Fund Balances:				
Reserved For:				
3420 Retirement of Long Term Debt	-	95,265	-	95,265
3450 Food Service	-	-	8,423	8,423
Unreserved and Undesignated:				
3600 Reported in the General Fund	510,904	-	-	510,904
3000 Total Fund Balances	510,904	95,265	8,423	614,592
4000 Total Liabilities and Fund Balances	\$ 572,657	\$ 100,574	\$ 12,531	\$ 685,762

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

MILLER GROVE INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
 STATEMENT OF NET ASSETS  
 AUGUST 31, 2009

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	\$	614,592
<b>1</b> 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 \$4,576,324 and the accumulated depreciation was \$1,212,016. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net assets.		954,308
<b>2</b> Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2009 capital outlays and debt principal payments is to increase (decrease) net assets.		131,200
<b>3</b> The 2009 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(100,006)
<b>4</b> Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, 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 assets.		18,282
<b>19 Net Assets of Governmental Activities</b>	\$	1,618,376

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

MILLER GROVE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2009

EXHIBIT C-3

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 599,863	\$ 69,520	\$ 46,656	\$ 716,039
5800 State Program Revenues	1,652,816	131,034	29,910	1,813,760
5900 Federal Program Revenues	-	-	207,197	207,197
5020 Total Revenues	2,252,679	200,554	283,763	2,736,996
<b>EXPENDITURES:</b>				
<b>Current:</b>				
0011 Instruction	1,041,709	-	156,202	1,197,911
0012 Instructional Resources and Media Services	34,358	-	-	34,358
0013 Curriculum and Instructional Staff Development	11,378	-	-	11,378
0021 Instructional Leadership	3,364	-	150	11,528
0023 School Leadership	141,912	-	2,185	5,549
0033 Health Services	191	-	6,763	148,675
0034 Student (Pupil) Transportation	112,596	-	-	191
0035 Food Services	2,963	-	-	112,596
0036 Extracurricular Activities	39,733	-	112,022	114,985
0041 General Administration	149,313	-	-	39,733
0051 Facilities Maintenance and Operations	228,140	-	103	149,416
0053 Data Processing Services	33,635	-	-	228,140
<b>Debt Service:</b>				
0071 Debt Service - Principal on Long Term Debt	-	70,000	-	70,000
0072 Debt Service - Interest on Long Term Debt	-	118,510	-	118,510
0073 Debt Service - Bond Issuance Cost and Fees	-	1,519	-	1,519
<b>Intergovernmental:</b>				
0093 Payments to Fiscal Agent/Member Districts of SSA	87,675	-	-	87,675
6030 Total Expenditures	1,886,967	190,029	277,425	2,354,421
1200 Net Change in Fund Balances	365,712	10,525	6,338	382,575
0100 Fund Balance - September 1 (Beginning)	145,192	84,740	2,085	232,017
3000 Fund Balance - August 31 (Ending)	\$ 510,904	\$ 95,265	\$ 8,423	\$ 614,592

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

MILLER GROVE 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, 2009

EXHIBIT C-4

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	382,575
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2009 capital outlays and debt principal payments is to increase (decrease) net assets.		131,200
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.		(100,006)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, 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 assets.		5,077
<b>Change in Net Assets of Governmental Activities</b>	<b>\$</b>	<b>418,846</b>

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



MILLER GROVE INDEPENDENT SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - GENERAL FUND  
 FOR THE YEAR ENDED AUGUST 31, 2009

EXHIBIT C-5

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	\$ 521,156	\$ 505,399	\$ 599,863	\$ 94,464
5800	State Program Revenues	1,394,786	1,394,786	1,652,816	258,030
5020	Total Revenues	1,915,942	1,900,185	2,252,679	352,494
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	1,014,886	1,087,268	1,041,709	45,559
0012	Instructional Resources and Media Services	33,376	34,608	34,358	250
0013	Curriculum and Instructional Staff Development	11,450	11,450	11,378	72
0021	Instructional Leadership	3,364	3,364	3,364	-
0023	School Leadership	149,810	154,319	141,912	12,407
0033	Health Services	300	300	191	109
0034	Student (Pupil) Transportation	64,013	126,300	112,596	13,704
0035	Food Services	1,942	2,963	2,963	-
0036	Extracurricular Activities	45,242	47,136	39,733	7,403
0041	General Administration	148,967	157,345	149,313	8,032
0051	Facilities Maintenance and Operations	245,542	258,653	228,140	30,513
0053	Data Processing Services	36,775	36,775	33,635	3,140
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	98,800	100,567	87,675	12,892
6030	Total Expenditures	1,854,467	2,021,048	1,886,967	134,081
1200	Net Change in Fund Balances	61,475	(120,863)	365,712	486,575
0100	Fund Balance - September 1 (Beginning)	145,192	145,192	145,192	-
3000	Fund Balance - August 31 (Ending)	\$ 206,667	\$ 24,329	\$ 510,904	\$ 486,575

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

# **FIDUCIARY FUND FINANCIAL STATEMENTS**

MILLER GROVE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
AUGUST 31, 2009

EXHIBIT E-1

	Agency Fund
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 15,582
Total Assets	15,582
<b>LIABILITIES</b>	
Due to Student Groups	\$ 15,582
Total Liabilities	15,582

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

MILLER GROVE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2009

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

MILLER GROVE INDEPENDENT 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 within the reporting entity.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the MILLER GROVE INDEPENDENT SCHOOL DISTRICT activities with most of the inter-fund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues. The District has no business type activities.

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. 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 two fund categories - governmental, 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.

**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 some times require the District to refund all or part of the unused amount.

## 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. **Debt Service Fund** – 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.

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

Fiduciary Funds:

1. **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. 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.
2. 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

3. 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. Designations of fund balance represent tentative management plans that are subject to change.
4. 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.
5. 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.
6. 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.
7. Investments are carried at fair value.

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net assets for governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

<u>Capital Assets</u> <u>at the Beginning of the year</u>	<u>Historic Cost</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Net Value at the</u> <u>Beginning of the</u> <u>Year</u>	<u>Change in Net</u> <u>Assets</u>
Land	66,810	-	66,810	
Buildings	4,116,330	(863,296)	3,253,034	
Furniture & Equipment	393,184	(348,720)	44,464	
Construction in progress	-	-	-	
Change in Net Assets	<u>4,576,324</u>	<u>(1,212,016)</u>	<u>-</u>	<u>3,364,308</u>

<u>Long-term Liabilities</u> <u>at the Beginning of the year</u>	<u>Payable at the</u> <u>Beginning of the</u> <u>Year</u>	<u>Change in Net</u> <u>Assets</u>
Bonds payable	2,410,000	
Loans payable	-	
Change in Net Assets	<u>-</u>	<u>(2,410,000)</u>
Net Adjustment to Net Assets		<u>954,308</u>



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

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

	<u>Amount</u>	<u>Adjustments to Changes in Net Assets</u>	<u>Adjustments to Net Assets</u>
<u>Current year Capital Outlay</u>			
Furniture & Equipment	61,200	61,200	61,200
Total Capital Outlay	<u>61,200</u>	<u>61,200</u>	<u>61,200</u>
<u>Debt Principal Payments</u>			
Bond Principal	70,000	70,000	70,000
Loan Principal	-	-	-
Total Principal Payments	<u>70,000</u>	<u>70,000</u>	<u>70,000</u>
Total Adjustment to Net Assets		<u>131,200</u>	<u>131,200</u>

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

	<u>Amount</u>	<u>Adjustments to Change in Net Assets</u>	<u>Adjustments to Net Assets</u>
<u>Adjustments to Revenue and Deferred Revenue</u>			
Taxes Collected from Prior Year Levies	22,174	(22,174)	-
Uncollected taxes (assumed collectible) from Current Year Levy	18,282	18,282	18,282
Effect of prior year tax entries	8,969	8,969	-
Total		<u>5,077</u>	<u>18,282</u>

### III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

#### A. BUDGETARY DATA

The Board of Trustees adopts an "appropriated budget" for the General 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, 2009 <u>Fund Balance</u>
Appropriated Budget Funds - Food Service Special Revenue Fund	8,423
Nonappropriated Budget Funds	<u>-</u>
All Special Revenue Funds	<u><u>8,423</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, 2009, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$388,145 and the bank balance was \$420,387. The District's cash deposits at August 31, 2009 and during the year ended August 31, 2009 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: Alliance Bank
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$623,049.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$529,892 and occurred during the month of November, 2008.

- d. Total amount of FDIC coverage at the time of the highest combined balance was \$475,539.
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 purchasers 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.

Investment Type	Fair Value	Average <u>CreditQuality/</u> Ratings	Weighted <u>Avg. Days</u> to Maturity
Logic	132,217	AAAm	28
Lonestar	24	1	N/A

**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 prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds 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. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables at August 31, 2009, 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	55,621	134,603	2,515	-	192,739
Major Governmental Funds	7,585	-	911	-	8,496
Nonmajor Governmental Funds	-	6,562	-	-	6,562
Total-Governmental Activities	<u>63,206</u>	<u>141,165</u>	<u>3,426</u>	<u>-</u>	<u>207,797</u>
Amount not scheduled for collection during the subsequent year	<u>(43,992)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(43,992)</u>

Payables at August 31, 2009, were as follows:

	<u>Accounts</u>	<u>Loans, Leases, and Bonds Payable- Current Year</u>	<u>Salaries &amp; Benefits</u>	<u>Due to Other Funds</u>	<u>Due to Other Governments</u>	<u>Other</u>	<u>Total Payables</u>
<b>Governmental Activities:</b>							
General Fund	-	-	47,848	-	-	-	47,848
Nonmajor Governmental Funds	-	-	4,108	-	-	-	4,108
Total-Governmental Activities	<u>-</u>	<u>-</u>	<u>51,956</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,956</u>
Amount not scheduled for collection during the subsequent year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**E. CAPITAL ASSET ACTIVITY**

Capital asset activity for the District for the year ended August 31, 2009, was as follows:  
 Primary Government

	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>
District:				
Land	66,810	-	-	66,810
Buildings and Improvements	4,116,330	-	-	4,116,330
Furniture and Equipment	393,184	61,200	-	454,384
Totals at Historic Cost	<u>4,576,324</u>	<u>61,200</u>	<u>-</u>	<u>4,637,524</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(863,296)	(78,477)	-	(941,773)
Furniture and Equipment	(348,720)	(21,529)	-	(370,249)
Total Accumulated Depreciation	<u>(1,212,016)</u>	<u>(100,006)</u>	<u>-</u>	<u>(1,312,022)</u>
Governmental Activities Capital Assets, Net	<u>3,364,308</u>	<u>(38,806)</u>	<u>-</u>	<u>3,325,502</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	68,290
Student (Pupil) Transportation	13,065
Food Services	7,903
Curricular/ Extracurricular Activities	5,922
General Administration	3,001
Plant Maintenance and Operations	1,825
Total Depreciation Expense	<u>100,006</u>

**F. BONDS PAYABLE**

In September, 2000 the District adopted an order authorizing the issuance of \$1,300,000, Miller Grove ISD Unlimited Tax School Building Bonds, Series 2000. The bonds were issued pursuant to Sections 45.001 and 45.003 (b)(1) of the Texas Education Code, as amended. The proceeds were used for the construction of a new Junior/Senior High School, the demolition of an existing structure and to pay costs associated with the issuance of the Bonds.

Bonds dated September 23, 2002 totaling \$1,500,000 were issued. Proceeds from the Miller Grove Independent School District Unlimited Tax School Building Bonds, Series 2002 were used to construct, renovate, and equip school buildings and to pay costs associated with the issuance of the bonds. The bonds were issued pursuant to sections 45.001 and 45.003 (B)(1) of the Texas Education Code as amended and bear an effective interest rate of 3.80% to 5.50%.

Bonded indebtedness of the District is reflected in the General Long-Term Debt Account Group, and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund.

A summary of changes in bond general long-term debt for the year ended August 31, 2009 is as follows:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Original Issue</u>	<u>Interest Current Year</u>	<u>Payable Amounts</u>		<u>Outstanding 8/31/2009</u>
				<u>Outstanding 9/1/2008</u>	<u>Issued Retired</u>	
Unlimited Tax School						
-Building Bonds Series 2000	5.30-7.00%	1,300,000	56,770	1,065,000	- (40,000)	1,025,000
Unlimiting Tax School Building Bonds-Series 2002	3.80-5.50%	1,500,000	61,740	1,345,000	- (30,000)	1,315,000
			<u>118,510</u>	<u>2,410,000</u>	<u>- (70,000)</u>	<u>2,340,000</u>

Bond debt service requirements are as follows:

<u>Year Ended August 31</u>	<u>General Obligations</u>		<u>Total Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2010	70,000	114,060	184,060
2011	70,000	110,010	180,010
2012	80,000	106,141	186,141
2013	85,000	102,158	187,158
2014	85,000	98,230	183,230
2015-2019	525,000	420,975	945,975
2020-2024	685,000	270,839	955,839
2025-2029	470,000	113,341	583,341
2030-2032	270,000	19,712	289,712
<b>Total</b>	<u><u>2,340,000</u></u>	<u><u>1,355,466</u></u>	<u><u>3,695,466</u></u>



**G. CHANGES IN LONG-TERM LIABILITIES**

Long-term activity for the year ended August 31, 2009, was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
<b>Governmental Activities:</b>					
Bonds and Notes Payable:					
General Obligation Bonds	2,410,000	-	(70,000)	2,340,000	70,000
<b>Total Governmental Activities</b>	<u>2,410,000</u>	<u>-</u>	<u>(70,000)</u>	<u>2,340,000</u>	<u>70,000</u>

**H. DEFINED BENEFIT PENSION PLAN**

**Plan Description.** MILLER GROVE 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 2007, 2008 and 2009 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 MILLER GROVE INDEPENDENT SCHOOL DISTRICT's employees for the years ended August 31, 2007, 2008 and 2009 were \$78,793, \$83,232, and \$77,870 respectively. MILLER GROVE INDEPENDENT SCHOOL DISTRICT paid additional state contributions for the years ended August 31, 2007, 2008, and 2009 in the amount of \$9,598, \$9,650, and \$10,536 respectively, on the portion of the employees' salaries that exceeded the statutory minimum. In addition to the pension plan and TRS-Care on behalf, the District allocated a portion of the Medicare Part D retiree drug subsidy the TRS-Care receives. The amount allocated on behalf for the year ended August 31, 2009 is estimated by TRS at \$2,688.

**I. HEALTHCARE COVERAGE**

During the year ended August 31, 2009 employees of Miller Grove Independent School District were covered by a health insurance plan with TRS Active-Care. The District paid premiums of \$150 per month per employee to the Plan and employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. The terms of coverage and premium costs are included in the contractual provisions.

Total Annual Premiums for Health Care 2008-2009	53,521
Less non-medical expenditures	-
Maintenance of effort for 2008-2009	<u>53,521</u>

**J. DEFERRED REVENUE**

Deferred revenue at year end consisted of the following:

	General Fund	Debt Service Fund	Total
Net Tax Revenue	13,905	5,309	19,214
Special Education	-	-	-
<b>TOTAL</b>	<u>13,905</u>	<u>5,309</u>	<u>19,214</u>

**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, 2009 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.

FUND	STATE ENTITLEMENTS	FEDERAL GRANTS	OTHER	TOTAL
General	134,603	-	-	134,603
Special Revenue	370	6,192	-	6,562
Debt Service	-	-	-	-
Total	<u>134,973</u>	<u>6,192</u>	<u>-</u>	<u>141,165</u>

**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	Nonmajor Governmental Funds	Total
Property Taxes	498,532	64,081	-	562,613
Penalties, Interest and Other Tax-related Income	36,222	4,614	-	40,836
Investment Income	2,519	825	26	3,370
Food Sales	-	-	46,580	46,580
Other	62,590	-	50	62,640
<b>Total</b>	<b>599,863</b>	<b>69,520</b>	<b>46,656</b>	<b>716,039</b>

**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 2009, the district purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

**N. COMMITMENTS AND CONTINGENCIES**

The District has no significant commitments or contingencies at August 31, 2009.

**O. LITIGATION**

The District has no pending litigation at August 31, 2009.

# **COMBINING SCHEDULES**

**NONMAJOR GOVERNMENTAL FUNDS**

MILLER GROVE INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2009

Data Control Codes	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
<b>ASSETS</b>				
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -
1240	Due from Other Governments	1,673	2,343	92
1000	Total Assets	<u>\$ 1,673</u>	<u>\$ 2,343</u>	<u>\$ 92</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
2160	Accrued Wages Payable	\$ 1,529	\$ 2,141	\$ 84
2200	Accrued Expenditures	144	202	8
2000	Total Liabilities	<u>1,673</u>	<u>2,343</u>	<u>92</u>
Fund Balances:				
Reserved For:				
3450	Food Service	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 1,673</u>	<u>\$ 2,343</u>	<u>\$ 92</u>

EXHIBIT E-1 (Cont'd)

240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting	262 Title II, D Education Technology	270 ESEA VI, Pt B Rural & Low Income	404 Student Success Initiative	411 Technology Allotment	428 High School Allotment	437 SSA Special Education
\$ 6,339	\$ -	\$ -	\$ -	\$ (370)	\$ -	\$ -	\$ -
2,084	-	-	-	370	-	-	-
<u>\$ 8,423</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
8,423	-	-	-	-	-	-	-
8,423	-	-	-	-	-	-	-
<u>\$ 8,423</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

MILLER GROVE INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2009

EXHIBIT E-1

Data Control Codes	Total Nonmajor Special Revenue Funds	699 Capital Project Fund	Total Nonmajor Governmental Funds	
<b>ASSETS</b>				
1110	Cash and Cash Equivalents	\$ 5,969	\$ -	\$ 5,969
1240	Due from Other Governments	6,562	-	6,562
1000	<b>Total Assets</b>	<b>\$ 12,531</b>	<b>\$ -</b>	<b>\$ 12,531</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
2160	Accrued Wages Payable	\$ 3,754	\$ -	\$ 3,754
2200	Accrued Expenditures	354	-	354
2000	<b>Total Liabilities</b>	<b>4,108</b>	<b>-</b>	<b>4,108</b>
Fund Balances:				
Reserved For:				
3450	Food Service	8,423	-	8,423
3000	<b>Total Fund Balances</b>	<b>8,423</b>	<b>-</b>	<b>8,423</b>
4000	<b>Total Liabilities and Fund Balances</b>	<b>\$ 12,531</b>	<b>\$ -</b>	<b>\$ 12,531</b>



MILLER GROVE INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2009

Data Control Codes	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	42,809	16,946	39,413	1,662
5020 Total Revenues	<u>42,809</u>	<u>16,946</u>	<u>39,413</u>	<u>1,662</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	42,809	16,946	39,413	1,662
0013 Curriculum and Instructional Staff Development	-	-	-	-
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	-
0035 Food Services	-	-	-	-
0041 General Administration	-	-	-	-
6030 Total Expenditures	<u>42,809</u>	<u>16,946</u>	<u>39,413</u>	<u>1,662</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting	262 Title II, D Education Technology	270 ESEA VI, Pt B Rural & Low Income	404 Student Success Initiative	411 Technology Allotment	428 High School Allotment	437 SSA Special Education
\$ 46,656	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
841	-	-	-	3,703	6,046	19,320	-
70,863	7,913	658	26,933	-	-	-	-
118,360	7,913	658	26,933	3,703	6,046	19,320	-
-	897	-	26,933	3,703	4,519	19,320	-
-	150	-	-	-	-	-	-
-	-	658	-	-	1,527	-	-
-	6,763	-	-	-	-	-	-
112,022	-	-	-	-	-	-	-
-	103	-	-	-	-	-	-
112,022	7,913	658	26,933	3,703	6,046	19,320	-
6,338	-	-	-	-	-	-	-
2,085	-	-	-	-	-	-	-
\$ 8,423	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

MILLER GROVE INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2009

Data Control Codes	Total Nonmajor Special Revenue Funds	699 Capital Project Fund	Total Nonmajor Governmental Funds
<b>REVENUES:</b>			
5700	Total Local and Intermediate Sources	\$ 46,656	\$ 46,656
5800	State Program Revenues	29,910	29,910
5900	Federal Program Revenues	207,197	207,197
5020	Total Revenues	283,763	283,763
<b>EXPENDITURES:</b>			
Current:			
0011	Instruction	156,202	156,202
0013	Curriculum and Instructional Staff Development	150	150
0021	Instructional Leadership	2,185	2,185
0023	School Leadership	6,763	6,763
0035	Food Services	112,022	112,022
0041	General Administration	103	103
6030	Total Expenditures	277,425	277,425
1200	Net Change in Fund Balance	6,338	6,338
0100	Fund Balance - September 1 (Beginning)	2,085	2,085
3000	Fund Balance - August 31 (Ending)	\$ 8,423	\$ 8,423

MILLER GROVE INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
 FISCAL YEAR ENDED AUGUST 31, 2009

Last 10 Years Ended August 31	Tax Rates		(3) Assessed/Appraised Value for School Tax Purposes
	(1) Maintenance	(2) Debt Service	
2000 and prior years	Various	Various	\$ Various
2001	1.330000	0.074000	26,201,484
2002	1.330000	0.074000	27,956,410
2003	1.330000	0.014900	31,007,776
2004	1.330000	0.150000	31,852,491
2005	1.380000	0.150000	33,159,804
2006	1.410000	0.150000	36,356,923
2007	1.290000	0.150000	39,239,931
2008	1.040050	0.150000	41,282,551
2009 (School year under audit)	1.170000	0.150000	44,529,848
100 TOTALS			

(10) Beginning Balance 9/1/2008	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2009
\$ 4,138	\$ -	\$ 49	\$ -	\$ -	\$ 4,089
2,190	-	-	-	-	2,190
789	-	-	-	-	789
559	-	-	-	-	559
96	-	-	-	-	96
894	-	416	45	-	433
4,524	-	1,565	166	-	2,793
8,330	-	2,649	308	-	5,373
27,295	-	14,836	2,140	-	10,319
-	587,794	479,017	61,422	(10,790)	36,565
<u>\$ 48,815</u>	<u>\$ 587,794</u>	<u>\$ 498,532</u>	<u>\$ 64,081</u>	<u>\$ (10,790)</u>	<u>\$ 63,206</u>

MILLER GROVE INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2010-2011  
 GENERAL AND SPECIAL REVENUE FUNDS  
 AUGUST 31, 2009

**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	\$ -	\$ -	\$ 89,994	\$ -	\$ 778	\$ -	\$ 90,772
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	-	-	-	-	544	-	544
6212	Audit Services	-	-	-	6,280	-	-	6,280
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	23,971	-	-	-	-	23,971
621X	Other Professional Services	-	-	-	-	-	-	-
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	2,000	2,400	-	-	4,400
6240	Contr. Maint. and Repair	-	-	-	-	597	-	597
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	-	-	-	-
6290	Miscellaneous Contr.	-	-	-	-	-	-	-
6320	Textbooks and Reading	-	-	-	-	-	-	-
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	-	-	2,601	1,226	300	-	4,127
6410	Travel, Subsistence, Stipends	975	-	1,000	28	-	-	2,003
6420	Ins. and Bonding Costs	2,689	-	-	-	267	-	2,956
6430	Election Costs	6,239	-	-	-	-	-	6,239
6490	Miscellaneous Operating	-	-	6,643	29,118	5,402	-	41,163
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	<b>TOTAL</b>	<b>\$ 9,903</b>	<b>\$ 23,971</b>	<b>\$ 102,238</b>	<b>\$ 39,052</b>	<b>\$ 7,888</b>	<b>\$ -</b>	<b>\$ 183,052</b>

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 2,164,391

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 61,200
Total Debt & Lease(6500)	(11)	-
Plant Maintenance (Function 51, 6100-6400)	(12)	228,140
Food (Function 35, 6341 and 6499)	(13)	48,411
Stipends (6413)	(14)	-
Column 4 (above) - Total Indirect Cost		39,052

SubTotal:

376,803

Net Allowed Direct Cost

\$ 1,787,588

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 4,116,330
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)	\$ 454,384
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ -
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ -

(8) NOTE A: \$33,635 in Function 53 expenditures are included in this report on administrative costs.

No Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

MILLER GROVE INDEPENDENT SCHOOL DISTRICT  
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET  
 GENERAL FUND AS OF AUGUST 31, 2009

**UNAUDITED**

1	Total General Fund Balance as of 8/31/09 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 510,904
2	Total Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund Only)	\$ -	
3	Total Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund Only)	-	
4	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.)	-	
5	Estimate of one month's average cash disbursements during the regular school session (9/1/09-5/31/10).	176,759	
6	Estimate of delayed payments from state sources (58xx) including August payment delays	-	
7	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount.	-	
8	Estimate of delayed payments from federal sources (59xx)	-	
9	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	-	
10	Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9)		176,759
11	Excess (Deficit) Undesignated Unreserved General Fund Balance (Line 1 minus Line 10)		\$ 334,145

Explanation of need for and/or projected use of net positive Undesignated Unreserved General Fund Fund Balance:

The Board does not believe this amount to be excessive because it is less than two months average cash disbursements.

MILLER GROVE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
FOR THE YEAR ENDED AUGUST 31, 2009

EXHIBIT J-4

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	\$ 48,100	\$ 46,630	\$ 46,656	\$ 26
5800 State Program Revenues	750	750	841	91
5900 Federal Program Revenues	62,542	61,866	70,863	8,997
5020 Total Revenues	111,392	109,246	118,360	9,114
<b>EXPENDITURES:</b>				
0035 Food Services	112,158	128,403	112,022	16,381
6030 Total Expenditures	112,158	128,403	112,022	16,381
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(766)	(19,157)	6,338	25,495
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	766	-	-	-
7080 Total Other Financing Sources (Uses)	766	-	-	-
1200 Net Change in Fund Balances	-	(19,157)	6,338	25,495
0100 Fund Balance - September 1 (Beginning)	2,085	2,085	2,085	-
3000 Fund Balance - August 31 (Ending)	\$ 2,085	\$ (17,072)	\$ 8,423	\$ 25,495



MILLER GROVE INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - DEBT SERVICE FUND  
 FOR THE YEAR ENDED AUGUST 31, 2009

EXHIBIT J-5

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	\$ 71,192	\$ 68,524	\$ 69,520	\$ 996
5800	State Program Revenues	127,109	127,109	131,034	3,925
5020	<b>Total Revenues</b>	<b>198,301</b>	<b>195,633</b>	<b>200,554</b>	<b>4,921</b>
<b>EXPENDITURES:</b>					
<b>Debt Service:</b>					
0071	Debt Service - Principal on Long Term Debt	70,000	70,000	70,000	-
0072	Debt Service - Interest on Long Term Debt	118,510	118,510	118,510	-
0073	Debt Service - Bond Issuance Cost and Fees	1,525	1,525	1,519	6
6030	<b>Total Expenditures</b>	<b>190,035</b>	<b>190,035</b>	<b>190,029</b>	<b>6</b>
1200	Net Change in Fund Balances	8,266	5,598	10,525	4,927
0100	Fund Balance - September 1 (Beginning)	84,740	84,740	84,740	-
3000	<b>Fund Balance - August 31 (Ending)</b>	<b>\$ 93,006</b>	<b>\$ 90,338</b>	<b>\$ 95,265</b>	<b>\$ 4,927</b>

# **FEDERAL AWARDS SECTION**



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

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

MEMBER  
American Institute Of  
Certified Public Accountants  
  
Texas State Society Of  
Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING  
STANDARDS**

Board of Trustees  
Miller Grove Independent School District  
Miller Grove, Texas

**Members of the Board:**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Miller Grove Independent School District as of and for the year ended August 31, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 29, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A 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.

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

Compliance and Other Matters

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

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

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

October 29, 2009

MILLER GROVE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2009

**I. Summary of the Auditor's Results:**

- a. The type of report issued on the financial statements of the Miller Grove Independent School District was an unqualified opinion.
- b. Where applicable, a statement that control deficiencies in internal control were disclosed by the audit of the financial statements and whether they were material weaknesses. None
- c. A statement as to whether the audit disclosed any noncompliance which is material to the financial statements of the auditee. NONE
- d. Where applicable, a statement that control deficiencies in internal control over major programs were disclosed by the audit and whether any such conditions were material weaknesses. N/A
- e. The type of report the auditor issued on compliance for major programs. N/A
- 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: N/A
- g. An identification of major programs: N/A
- h. The dollar threshold used to distinguish between Type A and Type B programs. N/A
- i. A statement as to whether the auditee qualified as a low-risk auditee. N/A

**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

MILLER GROVE INDEPENDENT SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2009

PRIOR YEAR'S FINDINGS/ NONCOMPLIANCE

N/A

STATUS OF PRIOR YEAR'S FINDINGS/ NONCOMPLIANCE

N/A

MILLER GROVE INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED AUGUST 31, 2009

CORRECTIVE ACTION

N/A

The contact at the District is Steve Johnson at (903) 459-3288.