

**MILLER GROVE
INDEPENDENT SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED**

AUGUST 31, 2011

MILLER GROVE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2011

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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, 2011 at a meeting of the Board of Trustees of such school district on the _____ day of _____, 201____.

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

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Miller Grove Independent School District
Cumby, 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, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's administrators. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Miller Grove Independent School District as of August 31, 2011, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 12 and page 46 and 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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


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

October 28, 2011

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, 2011. 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 \$2.34 million at August 31, 2011. During the year, the District's total revenues exceeded expenses by \$354 thousand. Total expenses of the District were \$2.55 million for the year.

The District reported fund balance in the general fund of \$1.2 million at August 31, 2011, which is an increase of approximately \$349 thousand. Revenues and expenditures were approximately the same as the prior year. The general fund balance increased \$348 thousand.

\$70 thousand of debt was retired during the year. The 2000 and 2002 Series Bonds were refunded by issuing the Series 2011 Refunding Bonds.

Approximately 94% of the taxes levied for 2010-11 were collected by fiscal year end.

OVERVIEW OF THE FINANCIAL STATEMENTS

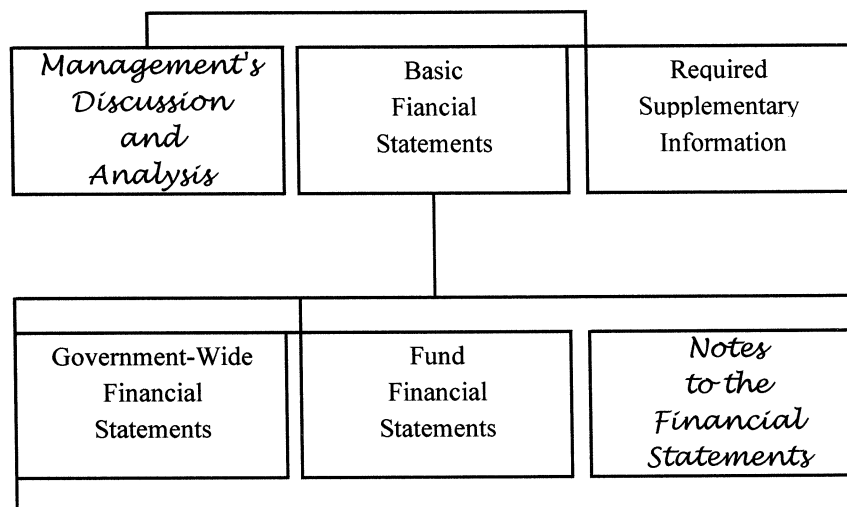
This annual report consists of three parts--*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

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

(A) The District has no enterprise funds.

Government-wide Statements

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

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

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

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

Fund Financial Statements

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

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

The District has 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 \$2.34 million at August 31, 2011.

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

	2011	2010
Current and other assets	1,422	1,041
Capital and non-current assets	3,185	3,277
TOTAL ASSETS	4,607	4,318
Long-term liabilities	2,200	2,270
Other liabilities	62	57
TOTAL LIABILITIES	2,262	2,327
Net assets		
Invested in capital assets		
net of related debt	985	1,007
Restricted	132	110
Unrestricted	1,228	874
TOTAL NET ASSETS	2,345	1,991

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 \$1.23 million of unrestricted net assets represents resources available to fund the programs of the District for the next fiscal year.

The \$132 thousand is restricted as follows:

Restricted for food service	8
Restricted for debt service	124
	<u>132</u>

Net assets of the District's governmental activities increased from \$1.99 million to \$2.34 million, or \$354 thousand. The increase was the result of three main factors. First, the District's revenues exceeded expenditures by \$372 thousand. Second, the District paid \$70 thousand principal on long-term debt and purchased fixed assets of \$7 thousand. Third, the District recorded depreciation of \$99 thousand.

Changes in net assets.

The District's total revenues were \$2.9 million. 20% of this comes from taxes, 61% was from state aid formula grants and 15% came from operating grants and contributions.

The total cost of all programs was \$2.55 million. Approximately 66% of this was for instructional and student services.

Net assets increased by \$354 thousand from the excess of expenses over revenues.

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

	Governmental Activities	
	2011	2010
Revenues		
<u>Program Revenues</u>		
Charges for Services	56	54
Operating Grants and Contributions	421	447
<u>General Revenues</u>		
Property Taxes	581	567
State aid - formula	1,764	1,774
Investment earnings	2	2
Other	85	82
Total Revenues	<u>2,909</u>	<u>2,926</u>
Expenses		
Instruction and instructional related	1,433	1,469
Instructional leadership/school		
administration	196	175
Guidance, social work, health,		
transportation	68	59
Food services	159	144
Extracurricular activities	57	56
General Administration	159	152
Plant maintenance and security	248	244
Data processing services	36	36
Debt service	105	116
Pmts to fiscal agent/member		
districts - shared service	94	102
Total Expenses	<u>2,555</u>	<u>2,553</u>
Increase (Decrease) in Net Assets	354	373
Beginning Net Assets	<u>1,991</u>	<u>1,618</u>
Ending Net Assets	<u><u>2,345</u></u>	<u><u>1,991</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 \$2.55 million.
- However, the amount that taxpayers paid for these activities through property taxes was only \$581 thousand.
- Some of the cost was paid by those who directly benefited from the programs (\$56 thousand), or by grants and contributions (\$421 thousand).

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

	Services		Services	
	2011	2010	2011	2010
Instruction	1,433	1,469	1,220	1,226
School administration	196	175	176	156
Plant Maintenance & Operations	248	244	241	238
Debt Service-Interest & Fiscal Charges	105	116	105	116

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District reported fund balance in its governmental funds of approximately \$1.34 million reflecting a net increase of \$372 thousand.

Expenditures were down \$10 thousand in the general fund. Revenues were down about \$8 thousand. The increase to the general fund balance was \$349 thousand which is approximately the same as the previous year.

General Fund Budgetary Highlights

Several budget amendments were made during the year. In total, actual expenditures were less than budgeted by \$192 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	
	2011	2010
Land	<u>67</u>	<u>67</u>
Buildings and improvements	4,116	4,116
Furniture and equipment	<u>511</u>	<u>505</u>
Totals at historical cost	<u>4,694</u>	<u>4,688</u>
Total accumulated depreciation	<u>(1,509)</u>	<u>(1,410)</u>
Net capital assets	<u><u>3,185</u></u>	<u><u>3,278</u></u>

Long-Term Debt

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

	Governmental	
	2011	2010
Bonds payable	<u><u>2,200</u></u>	<u><u>2,270</u></u>

The 2000 and 2002 Series Bonds were refunded by issuing the Series 2011 Refunding Bonds.

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 2012 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 decrease in ADA of approximately six students this year. This year however, enrollment was a little less than the ending of last year. We do not know where the students went to, but they appear to have moved from the area. For all planning purposes, the old enrollment from 2009-2010 will continue to be used until an established pattern of something different is established.

In the past year, appraised property values have dropped approximately 3%, yet we were fortunate that we were successful in passing a rollback election two years ago 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. Two positions opened this year due to retirements, which were not filled, but absorbed by other teachers.

The above factors were taken into consideration when adopting the General Fund Budget for 2012. The Board knows that several areas must be addressed in the next year or two. We were able to purchase three used busses in the past two years 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 11-12 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, 2011

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 1,102,686
1220 Property Taxes Receivable (Delinquent)	77,809
1230 Allowance for Uncollectible Taxes	(54,505)
1240 Due from Other Governments	292,673
1290 Other Receivables, net	4,139
Capital Assets:	
1510 Land	66,810
1520 Buildings, Net	3,017,603
1530 Furniture and Equipment, Net	100,251
1000 Total Assets	4,607,466
LIABILITIES	
2160 Accrued Wages Payable	57,764
2200 Accrued Expenses	1,370
2300 Deferred Revenues	3,568
Noncurrent Liabilities	
2501 Due Within One Year	65,000
2502 Due in More Than One Year	2,135,000
2000 Total Liabilities	2,262,702
NET ASSETS	
3200 Invested in Capital Assets, Net of Related Debt	984,664
3820 Restricted for Federal and State Programs	8,494
3850 Restricted for Debt Service	123,898
3900 Unrestricted Net Assets	1,227,708
3000 Total Net Assets	\$ 2,344,764

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, 2011

EXHIBIT B-1

FOR THE YEAR ENDED AUGUST 31, 2011					Net (Expense) Revenue and Changes in Net Assets
Data		Program Revenues			
Control	1	3	4	6	
Codes			Operating Grants and Contributions	Primary Gov. Governmental Activities	
	Expenses	Charges for Services			
Primary Government:					
GOVERNMENTAL ACTIVITIES:					
11 Instruction	\$ 1,381,667	\$ -	\$ 211,182	\$ (1,170,485)	
12 Instructional Resources and Media Services	39,594	-	1,695	(37,899)	
13 Curriculum and Staff Development	11,746	-	142	(11,604)	
21 Instructional Leadership	4,285	-	1,112	(3,173)	
23 School Leadership	191,868	-	18,472	(173,396)	
33 Health Services	201	-	-	(201)	
34 Student (Pupil) Transportation	67,558	-	1,298	(66,260)	
35 Food Services	158,597	47,010	86,068	(25,519)	
36 Extracurricular Activities	57,496	4,268	1,366	(51,862)	
41 General Administration	159,123	-	6,849	(152,274)	
51 Plant Maintenance and Operations	247,646	4,950	1,935	(240,761)	
53 Data Processing Services	36,562	-	-	(36,562)	
72 Debt Service - Interest on Long Term Debt	66,081	-	-	(66,081)	
73 Debt Service - Bond Issuance Cost and Fees	39,302	-	-	(39,302)	
93 Payments related to Shared Services Arrangements	87,019	-	84,644	(2,375)	
95 Payments to Juvenile Justice Alternative Ed. Prg.	6,625	-	6,625	-	
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 2,555,370	\$ 56,228	\$ 421,388	(2,077,754)	

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	516,630
DT	Property Taxes, Levied for Debt Service	64,062
SF	State Aid - Formula Grants	1,764,822
IE	Investment Earnings	1,828
MI	Miscellaneous Local and Intermediate Revenue	83,908
TR	Total General Revenues	2,431,250
CN	Change in Net Assets	353,496
NB	Net Assets--Beginning	1,991,268
NE	Net Assets--Ending	\$ 2,344,764

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, 2011

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 1,031,986	\$ 123,489	\$ (52,789)	\$ 1,102,686
1220 Property Taxes - Delinquent	69,250	8,559	-	77,809
1230 Allowance for Uncollectible Taxes (Credit)	(51,938)	(2,567)	-	(54,505)
1240 Receivables from Other Governments	225,364	-	67,309	292,673
1290 Other Receivables	3,730	409	-	4,139
1000 Total Assets	<u>\$ 1,278,392</u>	<u>\$ 129,890</u>	<u>\$ 14,520</u>	<u>\$ 1,422,802</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
2160 Accrued Wages Payable	\$ 52,139	\$ -	\$ 5,625	\$ 57,764
2200 Accrued Expenditures	969	-	401	1,370
2300 Deferred Revenues	17,312	5,992	-	23,304
2000 Total Liabilities	<u>70,420</u>	<u>5,992</u>	<u>6,026</u>	<u>82,438</u>
Fund Balances:				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	8,494	8,494
3480 Retirement of Long-Term Debt	-	123,898	-	123,898
3600 Unassigned Fund Balance	1,207,972	-	-	1,207,972
3000 Total Fund Balances	<u>1,207,972</u>	<u>123,898</u>	<u>8,494</u>	<u>1,340,364</u>
4000 Total Liabilities and Fund Balances	<u>\$ 1,278,392</u>	<u>\$ 129,890</u>	<u>\$ 14,520</u>	<u>\$ 1,422,802</u>

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, 2011

Total Fund Balances - Governmental Funds	\$ 1,340,364
1 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 \$4,687,524 and the accumulated depreciation was \$1,410,285. 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.	1,007,239
2 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 2011 capital outlays and debt principal payments is to increase (decrease) net assets.	2,206,500
3 The 2011 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.	(99,075)
4 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.	(2,110,264)
19 Net Assets of Governmental Activities	<u><u>\$ 2,344,764</u></u>

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, 2011

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 594,503	\$ 76,984	\$ 47,043	\$ 718,530
5800 State Program Revenues	1,729,058	120,192	26,498	1,875,748
5900 Federal Program Revenues	-	-	310,462	310,462
5020 Total Revenues	2,323,561	197,176	384,003	2,904,740
EXPENDITURES:				
Current:				
0011 Instruction	1,162,548	-	152,205	1,314,753
0012 Instructional Resources and Media Services	39,594	-	-	39,594
0013 Curriculum and Instructional Staff Development	11,604	-	142	11,746
0021 Instructional Leadership	3,326	-	959	4,285
0023 School Leadership	184,102	-	7,766	191,868
0033 Health Services	201	-	-	201
0034 Student (Pupil) Transportation	54,349	-	-	54,349
0035 Food Services	22,018	-	128,688	150,706
0036 Extracurricular Activities	51,456	-	-	51,456
0041 General Administration	154,109	-	2,000	156,109
0051 Facilities Maintenance and Operations	252,139	-	-	252,139
0053 Data Processing Services	36,562	-	-	36,562
Debt Service:				
0071 Principal on Long Term Debt	-	2,200,000	-	2,200,000
0072 Interest on Long Term Debt	-	66,081	-	66,081
0073 Bond Issuance Cost and Fees	-	39,302	-	39,302
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	2,375	-	84,644	87,019
0095 Payments to Juvenile Justice Alternative Ed. Prg.	-	-	6,625	6,625
6030 Total Expenditures	1,974,383	2,305,383	383,029	4,662,795
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	349,178	(2,108,207)	974	(1,758,055)
OTHER FINANCING SOURCES (USES):				
7911 Capital Related Debt Issued (Regular Bonds)	-	2,130,000	-	2,130,000
7080 Total Other Financing Sources (Uses)	-	2,130,000	-	2,130,000
1200 Net Change in Fund Balances	349,178	21,793	974	371,945
0100 Fund Balance - September 1 (Beginning)	858,794	102,105	7,520	968,419
3000 Fund Balance - August 31 (Ending)	\$ 1,207,972	\$ 123,898	\$ 8,494	\$ 1,340,364

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, 2011

Total Net Change in Fund Balances - Governmental Funds	\$ 371,945
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 2011 capital outlays and debt principal payments is to increase (decrease) net assets.	2,206,500
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.	(99,075)
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.	(2,125,874)
Change in Net Assets of Governmental Activities	<u>\$ 353,496</u>

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, 2011

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 546,920	\$ 594,503	\$ 594,503	\$ -
5800	State Program Revenues	1,821,235	1,757,671	1,729,058	(28,613)
5020	Total Revenues	2,368,155	2,352,174	2,323,561	(28,613)
EXPENDITURES:					
Current:					
0011	Instruction	1,173,846	1,216,260	1,162,548	53,712
0012	Instructional Resources and Media Services	42,206	42,706	39,594	3,112
0013	Curriculum and Instructional Staff Development	11,500	11,604	11,604	-
0021	Instructional Leadership	3,576	3,576	3,326	250
0023	School Leadership	179,697	186,171	184,102	2,069
0033	Health Services	300	300	201	99
0034	Student (Pupil) Transportation	112,844	112,844	54,349	58,495
0035	Food Services	19,819	22,123	22,018	105
0036	Extracurricular Activities	52,628	57,019	51,456	5,563
0041	General Administration	165,020	165,520	154,109	11,411
0051	Facilities Maintenance and Operations	292,193	292,693	252,139	40,554
0053	Data Processing Services	42,625	42,625	36,562	6,063
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	13,150	13,150	2,375	10,775
6030	Total Expenditures	2,109,404	2,166,591	1,974,383	192,208
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	258,751	185,583	349,178	163,595
OTHER FINANCING SOURCES (USES):					
8911	Transfers Out (Use)	4,439	-	-	-
7080	Total Other Financing Sources (Uses)	4,439	-	-	-
1200	Net Change in Fund Balances	263,190	185,583	349,178	163,595
0100	Fund Balance - September 1 (Beginning)	858,794	858,794	858,794	-
3000	Fund Balance - August 31 (Ending)	\$ 1,121,984	\$ 1,044,377	\$ 1,207,972	\$ 163,595

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, 2011

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 17,398
Total Assets	<u>\$ 17,398</u>
LIABILITIES	
Due to Student Groups	\$ 17,398
Total Liabilities	<u>\$ 17,398</u>

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, 2011

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.

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. Commitments 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.

8. 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 Miller Grove ISD Board of Trustees. Amendments or modifications of the committed fund balance must also be approved by formal action of the Miller Grove ISD Board of Trustees.

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

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

<u>Capital Assets at the Beginning of the year</u>	<u>Historic Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value at the Beginning of the Year</u>	<u>Change in Net Assets</u>
Land	66,810	-	66,810	
Buildings	4,116,330	(1,020,250)	3,096,080	
Furniture & Equipment	504,384	(390,035)	114,349	
Construction in progress	-	-	-	
Change in Net Assets	<u>4,687,524</u>	<u>(1,410,285)</u>		<u>3,277,239</u>
<u>Long-term Liabilities at the Beginning of the year</u>			<u>Payable at the Beginning of the Year</u>	
Bonds payable			2,270,000	
Loans payable			-	
Change in Net Assets				<u>(2,270,000)</u>
Net Adjustment to Net Assets				<u>1,007,239</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</u> <u>Changes in Net</u> Assets	<u>Adjustments to</u> Net Assets
<u>Current year Capital Outlay</u>			
Furniture & Equipment	6,500	6,500	6,500
Total Capital Outlay	<u>6,500</u>	<u>6,500</u>	<u>6,500</u>
 Debt Principal Payments			
Bond Principal	2,200,000	2,200,000	2,200,000
Total Principal Payments	<u>2,200,000</u>	<u>2,200,000</u>	<u>2,200,000</u>
Total Adjustment to Net Assets		<u>2,206,500</u>	<u>2,206,500</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</u> <u>Change in Net</u> Assets	<u>Adjustments</u> <u>to Net</u> Assets
<u>Adjustments to Revenue and Deferred Revenue</u>			
Taxes Collected from Prior Year Levies	32,354	(32,354)	-
Uncollected taxes (assumed collectible) from Current Year Levy	19,736	19,736	19,736
Effect of prior year tax entries	16,744	16,744	-
Proceeds for refunding bonds	<u>(2,130,000)</u>	<u>(2,130,000)</u>	<u>(2,130,000)</u>
Total		<u>(2,125,874)</u>	<u>(2,110,264)</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, 2011
	<u>Fund Balance</u>
Appropriated Budget Funds - Food Service Special Revenue Fund	8,494
Nonappropriated Budget Funds	<u>-</u>
All Special Revenue Funds	<u><u>8,494</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, 2011, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$716,297 and the bank balance was \$752,365. The District's cash deposits at August 31, 2011 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name at all times except during the month of November, 2011 the District's cash deposits were in excess of FDIC insurance and pledged securities.

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 \$343,210.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$947,991 and occurred during the month of November, 2010.

- d. Total amount of FDIC coverage at the time of the highest combined balance was \$392,293.
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.

Investment Type	Fair Value	<u>Average</u> CreditQuality/ Ratings	<u>Weighted</u> Avg. Days to Maturity
Logic	401,926	AAAm	40
Lonestar	24	AAAm	34

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, 2011, were as follows:

	Property Taxes	Other Governments	Due From Other Funds	Other	Total Receivables
Governmental Activities:					
General Fund	69,250	225,364	-	3,730	298,344
Major Governmental Funds	8,559	-	-	409	8,968
Nonmajor Governmental Funds	-	67,309	-	-	67,309
Total Governmental Activities	77,809	292,673	-	4,139	374,621
Amount not scheduled for collection during the subsequent year	(54,505)	-	-	-	(54,505)

Payables at August 31, 2011, were as follows:

	Accounts	Loans, Leases, and Bonds Payable- Current Year	Salaries & Benefits	Due to Other Funds	Due to Other Governments	Other	Total Payables
Governmental Activities:							
General Fund	-	-	53,108	-	-	-	53,108
Nonmajor Governmental Funds	-	-	6,026	-	-	-	6,026
Total Governmental Activities	-	-	59,134	-	-	-	59,134
Amount not scheduled for collection during the subsequent year	-	-	-	-	-	-	-

E. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended August 31, 2011, was as follows:
Primary Government

	Beginning			Ending
	Balance	Additions	Retirements	Balance
District:				
Land	66,810	-	-	66,810
Buildings and Improvements	4,116,330	-	-	4,116,330
Furniture and Equipment	504,384	6,500	-	510,884
Totals at Historic Cost	4,687,524	6,500	-	4,694,024
Less Accumulated Depreciation for:				
Buildings and Improvements	(1,020,250)	(78,477)	-	(1,098,727)
Furniture and Equipment	(390,035)	(20,598)	-	(410,633)
Total Accumulated Depreciation	(1,410,285)	(99,075)	-	(1,509,360)
Governmental Activities Capital Assets, Net	3,277,239	(92,575)	-	3,184,664

Depreciation expense was charged to governmental functions as follows:

Instruction	66,914
Student (Pupil) Transportation	13,209
Food Services	7,891
Curricular/ Extracurricular Activities	6,040
General Administration	3,014
Plant Maintenance and Operations	2,007
Total Depreciation Expense	99,075

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%.

During the 2010-2011 fiscal year as authorized in Chapter 1207 Texas Government Code as amended, the District issued the Unlimited Tax Refunding Bonds Series 2011. This was used to refund the Series 2000 debt and all but \$70 thousand of the Series 2002 debt. Interest is payable from 2%-4%. The advance refunding of the 2000 and 2002 debt was undertaken to reduce total debt payments by approximately \$206 thousand and to obtain an economic gain of approximately \$153 thousand. The balance of the refunded debt at August 31, 2011 is \$2,200,000.

A summary of changes in bond general long-term debt for the year ended August 31, 2011 is as follows:

Description	Interest Rate Payable	Amounts Original Issue	Interest Current Year	Payable Amounts Outstanding 9/1/2010	Issued	Retired	Outstanding 8/31/2011
Unlimited Tax School							
-Building Bonds Series 2000	5.30-7.00%	1,300,000	26,285	985,000	-	(985,000)	-
Unlimited Tax School Building Bonds Series 2002	3.80-5.50%	1,500,000	31,217	1,285,000		(1,215,000)	70,000
Unlimited Tax Refunding Bonds Series 2011	2.00%-4.00%	2,130,000	8,580	-	2,130,000	-	2,130,000
			66,082	2,270,000	2,130,000	(2,200,000)	2,200,000

Bond debt service requirements are as follows:

Year Ended August 31	General Obligations		Total Requirements
	Principal	Interest	
2012	65,000	112,449	177,449
2013	45,000	130,865	175,865
2014	105,000	69,150	174,150
2015	115,000	66,950	181,950
2016	110,000	64,700	174,700
2017-2021	630,000	277,550	907,550
2022-2026	660,000	154,400	814,400
2027-2031	385,000	56,500	441,500
2032	85,000	1,700	86,700
Total	2,200,000	934,264	3,134,264

G. CHANGES IN LONG-TERM LIABILITIES

Long-term activity for the year ended August 31, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds and Notes Payable:					
General Obligation Bonds	2,270,000	2,130,000	(2,200,000)	2,200,000	65,000
 Total Governmental Activities	<u>2,270,000</u>	<u>2,130,000</u>	<u>(2,200,000)</u>	<u>2,200,000</u>	<u>65,000</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 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

Funding Policy. State law provides for fiscal years 2009, 2010 and 2011 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, 2009, 2010 and 2011 were \$77,870, \$88,155, and \$84,428 respectively. MILLER GROVE INDEPENDENT SCHOOL DISTRICT paid additional state contributions for the years ended August 31, 2009, 2010 and 2011 in the amount of \$10,536, \$8,205, and \$11,467 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, 2010 is estimated by TRS at \$3,582.

I. HEALTHCARE COVERAGE

During the year ended August 31, 2011 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 2010-2011	61,068
Less non-medical expenditures	-
Maintenance of effort for 2010-2011	<u>61,068</u>

J. DEFERRED REVENUE

Deferred revenue at year end consisted of the following:

	General Fund	Debt Service Fund	Total
Net Tax Revenue	17,312	5,992	23,304
Special Education	-	-	-
TOTAL	<u>17,312</u>	<u>5,992</u>	<u>23,304</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, 2011 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	225,364	-	-	225,364
Special Revenue	165	67,144	-	67,309
Debt Service	-	-	-	-
Total	<u>225,529</u>	<u>67,144</u>	<u>-</u>	<u>292,673</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	511,052	65,514	-	576,566
Penalties, Interest and Other Tax-related Income	36,903	4,642	-	41,545
Investment Income	1,637	183	8	1,828
Food Sales	-	-	47,010	47,010
Other	44,911	6,645	25	51,581
Total	594,503	76,984	47,043	718,530

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 2011, 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, 2011.

O. LITIGATION

The District has no pending litigation at August 31, 2011.

P. SUBSEQUENT EVENT

Administration has evaluated subsequent events through October 28, 2011, the financial statement issuance date.

COMBINING SCHEDULES

NON-MAJOR GOVERNMENTAL FUNDS

MILLER GROVE INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2011

Data Control Codes		211	212	224	225
		ESEA I, A Improving Basic Program	ESEA Title I Part C Migrant	IDEA - Part B Formula	IDEA - Part B Preschool
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ (15,694)	\$ (742)
1240	Receivables from Other Governments	2,168	-	17,696	827
1000	Total Assets	<u>\$ 2,168</u>	<u>\$ -</u>	<u>\$ 2,002</u>	<u>\$ 85</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2160	Accrued Wages Payable	\$ 1,981	\$ -	\$ 1,828	\$ 78
2200	Accrued Expenditures	187	-	174	7
2000	Total Liabilities	<u>2,168</u>	<u>-</u>	<u>2,002</u>	<u>85</u>
Fund Balances:					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 2,168</u>	<u>\$ -</u>	<u>\$ 2,002</u>	<u>\$ 85</u>

EXHIBIT E-1 (Cont'd)

240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting	266 Title XIV ARRA State Stabilization	270 ESEA VI, Pt B Rural & Low Income	279 Title II, D ARRA - Ed. Technology	283 IDEA, Pt. B ARRA Formula	287 Education Jobs Fund	404 Student Success Initiative
\$ 5,245	\$ -	\$ (34,839)	\$ -	\$ -	\$ (6,594)	\$ -	\$ (165)
3,249	-	34,839	-	-	6,594	1,771	165
<u>\$ 8,494</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,771</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,738	\$ -
-	-	-	-	-	-	33	-
-	-	-	-	-	-	1,771	-
8,494	-	-	-	-	-	-	-
8,494	-	-	-	-	-	-	-
<u>\$ 8,494</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,771</u>	<u>\$ -</u>

MILLER GROVE INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2011

Data Control Codes		411 Technology Allotment	415 Kindergarten and Pre-K Grants	Total Nonmajor Governmental Funds
ASSETS				
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ (52,789)
1240	Receivables from Other Governments	-	-	67,309
1000	Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,520</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
2160	Accrued Wages Payable	\$ -	\$ -	\$ 5,625
2200	Accrued Expenditures	-	-	401
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>6,026</u>
Fund Balances:				
Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	8,494
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>8,494</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,520</u>

MILLER GROVE INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2011

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
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-	-
5900	Federal Program Revenues	36,465	1,630	34,714	1,492
5020	Total Revenues	36,465	1,630	34,714	1,492
EXPENDITURES:					
Current:					
0011	Instruction	36,465	1,630	34,714	1,492
0013	Curriculum and Instructional Staff Development	-	-	-	-
0021	Instructional Leadership	-	-	-	-
0023	School Leadership	-	-	-	-
0035	Food Services	-	-	-	-
0041	General Administration	-	-	-	-
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of	-	-	-	-
0095	Payments to Juvenile Justice Alternative Ed. Prg.	-	-	-	-
6030	Total Expenditures	36,465	1,630	34,714	1,492
1200	Net Change in Fund Balance	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting	266 Title XIV ARRA State Stabilization	270 ESEA VI, Pt B Rural & Low Income	279 Title II, D ARRA - Ed. Technology	283 IDEA, Pt. B ARRA Formula	287 Education Jobs Fund	404 Student Success Initiative
\$ 47,043	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
728	-	-	-	-	-	-	1,650
81,891	7,908	93,269	26,709	76	24,537	1,771	-
129,662	7,908	93,269	26,709	76	24,537	1,771	1,650
-	-	-	26,709	76	24,537	1,771	1,650
-	142	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	7,766	-	-	-	-	-	-
128,688	-	-	-	-	-	-	-
-	-	2,000	-	-	-	-	-
-	-	84,644	-	-	-	-	-
-	-	6,625	-	-	-	-	-
128,688	7,908	93,269	26,709	76	24,537	1,771	1,650
974	-	-	-	-	-	-	-
7,520	-	-	-	-	-	-	-
\$ 8,494	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

MILLER GROVE INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes		411 Technology Allotment	415 Kindergarten and Pre-K Grants	Total Nonmajor Governmental Funds
REVENUES:				
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ 47,043
5800	State Program Revenues	6,938	17,182	26,498
5900	Federal Program Revenues	-	-	310,462
5020	Total Revenues	6,938	17,182	384,003
EXPENDITURES:				
Current:				
0011	Instruction	5,979	17,182	152,205
0013	Curriculum and Instructional Staff Development	-	-	142
0021	Instructional Leadership	959	-	959
0023	School Leadership	-	-	7,766
0035	Food Services	-	-	128,688
0041	General Administration	-	-	2,000
Intergovernmental:				
0093	Payments to Fiscal Agent/Member Districts of SSA	-	-	84,644
0095	Payments to Juvenile Justice Alternative Ed. Prg.	-	-	6,625
6030	Total Expenditures	6,938	17,182	383,029
1200	Net Change in Fund Balance	-	-	974
0100	Fund Balance - September 1 (Beginning)	-	-	7,520
3000	Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ 8,494

REQUIRED T.E.A. SCHEDULES

MILLER GROVE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2011

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2002 and prior years	Various	Various	\$ Various
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	1.170000	0.150000	44,529,848
2010	1.170000	0.150000	44,836,439
2011 (School year under audit)	1.170000	0.150000	45,054,167
1000 TOTALS			

(10) Beginning Balance 9/1/2010		(20) Current Year's Total Levy		(31) Maintenance Collections		(32) Debt Service Collections		(40) Entire Year's Adjustments		(50) Ending Balance 8/31/2011	
\$	6,378	\$	-	\$	-	\$	-	\$	-	\$	6,378
	337		-		-		-		-		337
	-		-		-		-		-		-
	341		-		253		28		-		60
	2,340		-		117		12		-		2,211
	4,435		-		1,218		142		-		3,075
	6,929		-		2,597		374		-		3,958
	18,711		-		9,823		1,259		-		7,629
	31,220		-		14,652		1,879		-		14,689
	-		594,715		482,392		61,820		(11,031)		39,472
<u>\$</u>	<u>70,691</u>	<u>\$</u>	<u>594,715</u>	<u>\$</u>	<u>511,052</u>	<u>\$</u>	<u>65,514</u>	<u>\$</u>	<u>(11,031)</u>	<u>\$</u>	<u>77,809</u>

MILLER GROVE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2012-2013
GENERAL AND SPECIAL REVENUE FUNDS
AUGUST 31, 2011

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	\$ -	\$ -	\$ 94,548	\$ -	\$ 1,106	\$ -	\$ 95,654
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	500	-	-	500
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	-	-	-	-	678	-	678
6212	Audit Services	-	-	-	6,725	-	-	6,725
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	24,162	-	-	-	-	24,162
621X	Other Professional Services	-	-	-	-	-	-	-
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	4,595	4,650	-	-	9,245
6240	Contr. Maint. and Repair	-	-	-	-	467	-	467
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	-	-	-	-
6290	Miscellaneous Contr.	-	-	-	-	-	-	-
6320	Textbooks and Reading	-	-	-	-	-	-	-
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	-	-	2,564	1,303	1,942	-	5,809
6410	Travel, Subsistence, Stipends	419	-	992	30	-	-	1,441
6420	Ins. and Bonding Costs	2,689	-	-	267	-	-	2,956
6430	Election Costs	-	-	-	-	-	-	-
6490	Miscellaneous Operating	352	-	6,552	29,846	8,284	-	45,034
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	\$ 3,460	\$ 24,162	\$ 109,251	\$ 43,321	\$ 12,477	\$ -	\$ 192,671

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 2,357,413

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10) \$ 8,455
Total Debt & Lease(6500)	(11) -
Plant Maintenance (Function 51, 6100-6400)	(12) 243,684
Food (Function 35, 6341 and 6499)	(13) 59,253
Stipends (6413)	(14) -
Column 4 (above) - Total Indirect Cost	43,321

SubTotal:

354,713

Net Allowed Direct Cost

\$ 2,002,700

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) \$ 510,884
Historical Cost of Furniture & Equipment over 16 years old	(19) \$ -
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20) \$ -

(8) NOTE A: \$36,562 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
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 48,095	\$ 47,043	\$ 47,043	\$ -
5800	State Program Revenues	750	728	728	-
5900	Federal Program Revenues	79,000	81,891	81,891	-
5020	Total Revenues	127,845	129,662	129,662	-
EXPENDITURES:					
0035	Food Services	132,284	132,284	128,688	3,596
6030	Total Expenditures	132,284	132,284	128,688	3,596
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,439)	(2,622)	974	3,596
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	4,439	-	-	-
7080	Total Other Financing Sources (Uses)	4,439	-	-	-
1200	Net Change in Fund Balances	-	(2,622)	974	3,596
0100	Fund Balance - September 1 (Beginning)	7,520	7,520	7,520	-
3000	Fund Balance - August 31 (Ending)	\$ 7,520	\$ 4,898	\$ 8,494	\$ 3,596

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, 2011

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 66,355	\$ 77,575	\$ 76,984	\$ (591)
5800	State Program Revenues	120,559	120,192	120,192	-
5020	Total Revenues	186,914	197,767	197,176	(591)
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	70,000	2,200,000	2,200,000	-
0072	Interest on Long Term Debt	110,010	108,132	66,081	42,051
0073	Bond Issuance Cost and Fees	1,575	3,453	39,302	(35,849)
6030	Total Expenditures	181,585	2,311,585	2,305,383	6,202
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	5,329	(2,113,818)	(2,108,207)	5,611
OTHER FINANCING SOURCES (USES):					
7911	Capital Related Debt Issued (Regular Bonds)	-	2,130,000	2,130,000	-
7080	Total Other Financing Sources (Uses)	-	2,130,000	2,130,000	-
1200	Net Change in Fund Balances	5,329	16,182	21,793	5,611
0100	Fund Balance - September 1 (Beginning)	102,105	102,105	102,105	-
3000	Fund Balance - August 31 (Ending)	\$ 107,434	\$ 118,287	\$ 123,898	\$ 5,611

FEDERAL AWARDS SECTION



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

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

Independent Auditor's Report

Board of Trustees
Miller Grove Independent School District
Cumby, 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, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 28, 2011. 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 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 28, 2011

MILLER GROVE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2011

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, 2011

PRIOR YEAR'S FINDINGS/ NONCOMPLIANCE

10-1 Some Board members did not receive the minimum number of hours as required annually for Board training.

STATUS OF PRIOR YEAR'S FINDINGS/ NONCOMPLIANCE

10-1 All Board members completed at least the minimum number of hours of Board member training.

MILLER GROVE INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2011

CORRECTIVE ACTION

N/A

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