

MIDLAND INDEPENDENT SCHOOL DISTRICT
615 W. MISSOURI AVE. MIDLAND, TEXAS 79701-5017



ANNUAL FINANCIAL REPORT

FOR YEAR ENDED

AUGUST 31, 2005

EDUCATING THE FUTURE!

**MIDLAND INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2005**

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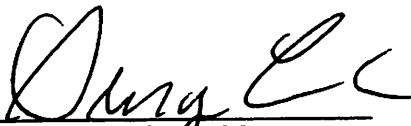
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CERTIFICATE OF BOARD

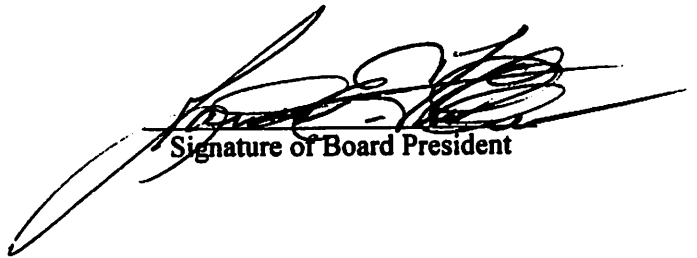
Midland Independent School District
Midland County

Co.-Dist. Number - 165901

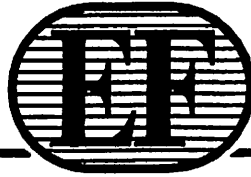
We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) approved disapproved for the year ended August 31, 2005 at a meeting of the Board of Trustees of such school district on the 10th day of January, 2006.



Signature of Board Secretary



Signature of Board President



ELMS, FARIS & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Midland Independent School District
615 West Missouri Avenue
Midland, Texas 79701

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Midland Independent School District, (the "District"), as of and for the year ended August 31, 2005, 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 Administration. Our responsibility is to express an opinion 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 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 Midland Independent School District as of August 31, 2005, and the respective changes in financial position and the cash flows where applicable thereof 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 November 18, 2005, on our consideration of the District's internal control over financial reporting and 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 *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis and the budgetary comparison information on pages 5 through 10 and 49 are not a required part of the basic financial statements, but are supplementary information required by the 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 opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

In addition, the combining statements and the TEA required schedules listed in the table of contents are presented for additional analysis and are not a required part of the basic financial statements. The combining statements and the TEA required schedules (except for Exhibit J-3, The Fund Balance and Cash Flow Calculation Worksheet, which is marked UNAUDITED and on which we express no opinion) 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.

Elms, Faris & Company, LLP

November 18, 2005

Midland Independent School District

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Midland Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2005. Please read it in conjunction with the District's Basic Financial Statements, which follows this section.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities. These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how services of the District were sold to departments within the District and how the sales revenues covered the expenses of the services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

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 nonmajor 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.

Reporting the District as a Whole

The Statement of Net Assets and the Statement of Activities

The Statement of Net Assets includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies. Their primary purpose is to show whether the District is better off or worse off as a result of the year's activities.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the district and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current

year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net assets and changes in them. The District's net assets (the difference between assets and liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's two kinds of funds—governmental and proprietary—use different accounting approaches.

- **Governmental funds**—Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

- **Proprietary funds**—The District reports the activities for which it charges users (other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Assets and the Statement of Activities. The internal service fund reports activities that provide services for the District's self-insurance program.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities and alumnae scholarship programs. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District implemented GASB Statement #34 in 2002. We present net asset measurements as required by generally accepted accounting principles and have comparative balances and changes therein between both current and prior year data and will discuss any significant changes in the accounts. Our analysis focuses on the net assets (Table I) and changes in net assets (Table II) of the District's governmental and business-type activities.

Net assets of the District's governmental activities increased from \$80,232,633 to \$90,962,295. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$33,530,425 at August 31, 2005. This increase in governmental net assets was mostly the result of increased capital assets, net of related debt.

Table I
Midland Independent School District

NET ASSETS

	Governmental Activities 2004	Governmental Activities 2005	Difference
Current and Other Assets	111,160,132	83,735,284	(27,424,848)
Capital Assets	109,335,380	146,131,540	36,796,160
Total Assets	220,495,512	229,866,824	9,371,312
Long-term Liabilities	119,242,827	114,315,202	(4,927,625)
Other Liabilities	21,020,052	24,589,327	3,569,275
Total Liabilities	140,262,879	138,904,529	(1,358,350)
Net Assets:			
Invested in Capital Assets Net of Debt	13,215,894	31,945,582	18,729,688
Restricted	37,730,688	25,486,288	(12,244,400)
Unrestricted	29,286,051	33,530,425	4,244,374
Total Net Assets	80,232,633	90,962,295	10,729,662

Table II
Midland Independent School District

CHANGES IN NET ASSETS

	Governmental Activities 2004	Governmental Activities 2005	Difference
Revenues:			
Program Revenues:			
Charges for Services	2,999,888	2,872,532	(127,356)
Grants and Contributions	16,059,822	15,417,092	(642,730)
General Revenues:			
Maintenance and Operations Taxes	68,949,960	74,842,721	5,892,761
Debt Service Taxes	5,577,304	7,088,672	1,511,368
State Aid - Formula Grants	45,917,059	42,749,456	(3,167,603)
Grants and Contributions Not Restricted to Specific Functions	10,025,339	9,326,204	(699,135)
Investment Earnings	863,209	2,229,187	1,365,978
Miscellaneous	1,393,131	1,362,163	(30,968)
Total Revenue	151,785,712	155,888,027	4,102,315
Expenses:			
Instruction, Curriculum and Media Services	89,500,322	89,779,086	278,764
Instructional and School Leadership	9,472,241	9,365,314	(106,927)
Student Support Services	11,809,063	9,629,600	(2,179,463)
Child Nutrition	7,515,761	7,873,327	357,566
Cocurricular Activities	3,206,766	3,254,542	47,776
General Administration	3,851,707	3,841,451	(10,256)
Plant Maintenance, Security and Data Processing	17,330,237	14,793,116	(2,537,121)
Community Services	905,657	959,685	54,028
Debt Services	4,533,848	5,662,244	1,128,396
Total Expenses	148,125,602	145,158,365	(2,967,237)
Increase in Net Assets Before Transfers and Special Items	3,660,110	10,729,662	7,069,552
Transfers	-	-	-
Adjustment to Beginning Net Assets	(714,923)	-	714,923
Beginning Net Assets	77,287,446	80,232,633	2,945,187
Ending Net Assets	80,232,633	90,962,295	10,729,662

The District's total revenues increased approximately \$4.1 million, primarily due to increased tax revenues of \$7.4 million. The total cost of all programs and services decreased by \$2.9 million.

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported a combined fund balance of \$51.3 million, down \$32.5 million from 2004 (See Exhibit C-3). The decrease is primarily due to construction expenditures from the capital projects fund. Total facilities acquisition costs were \$34.7 million. Included in this year's total change in fund balance is an increase of \$2.8 million in the District's General Fund. As illustrated in Exhibit J-3, this leaves the District \$6.5 million below its optimum fund balance according to TEA guidelines.

Over the course of the year, the Board of Trustees revised the District's budget several times. The Trustees approve these budget amendments as necessary to meet current needs and goals of the District.

The District's General Fund balance of \$26.9 million reported on Exhibit G-1 differs from the General Fund's budgetary fund balance of \$25.5 million. This is principally due to cost savings and added revenues described above.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets:

At the end of 2005, the District had \$146.1 million (net of accumulated depreciation) invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net increase of just over \$36.7 million (net of accumulated depreciation) from last year.

Debt:

At year-end, the District had \$111.6 million in bonds and notes outstanding versus \$115.7 million last year. The district paid off \$4.5 million in principal this year and did not issue any new debt.

Other obligations include accrued vacation pay and sick leave. More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal-year 2004 budget, tax rates. Such factors are assessed property values, anticipated average daily student attendance and anticipated operating costs to the District. A few considerations are as follows:

- Assessed property values increased approximately \$106 million from 2004. Keep in mind that the state provides equal access to state funding for each child through a process called equalization. In the equalization process the state makes sure that each school district receives the same amount of money for each student in attendance. This guarantee is based on the amount of effort each school district makes to generate funds from local tax rates. The higher the tax rate, the more local taxes and state funds a school district receives. While the district receives the increase in tax revenue from an increase in property values, the district loses that amount in state aid the following year under equalization. The state gives more money to poorer districts (those with less property value), to guarantee a level funding "floor," and less state money to wealthier districts. Very "rich" districts may get no state money at all, and, if their tax revenues from local property values exceed a funding "ceiling," they must turn some local taxes over to the state treasury. So increased property values result in a greater share of the program costs paid by local taxpayers and a smaller share of state aid for the district's educational programs.
- Per the Midland Chamber of Commerce, the City of Midland had an unemployment rate of 3.9% up from 3.7% in the prior year. The state average was 5.1%.
- Residential construction increased throughout 2005 based on permits reported by the City of Midland. Management continues to monitor the location of new single-family homes that may affect zoning and staffing of area campuses.
- The Cost of Living Index for Midland was 87.2% of the national average as of July 2005. The Cost of Living Index is used to provide a useful and reasonably accurate measure of living cost differences among urban areas. The national average always equals 100%.
- Total Refined Average Daily Attendance decreased approximately 258 students from 2004. Management does expect a slight increase for the 2005-2006 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office at Midland Independent School District, 615 West Missouri, Midland, Texas 79701.

BASIC FINANCIAL STATEMENTS

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MIDLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
AUGUST 31, 2005

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 12,969,658
1120 Current Investments	54,196,202
1220 Property Taxes Receivable (Delinquent)	3,311,439
1230 Allowance for Uncollectible Taxes	(463,602)
1240 Due from Other Governments	10,262,823
1250 Accrued Interest	13,811
1290 Other Receivables (net)	598,572
1300 Inventories	2,143,538
1410 Deferred Expenses	702,843
Capital Assets:	
1510 Land	6,491,630
1520 Buildings, net	85,328,487
1530 Furniture and Equipment, net	4,270,660
1550 Leased Property Under Capital Leases, net	74,067
1580 Construction in Progress	49,966,696
1000 Total Assets	229,866,824
LIABILITIES	
2110 Accounts Payable	13,820,115
2150 Payroll Deductions & Withholdings	1,756,516
2160 Accrued Wages Payable	3,149,490
2177 Due to Fiduciary Funds	66,360
2180 Due to Other Governments	301,359
2300 Deferred Revenues	668,540
2400 Payable from Restricted Assets	4,826,947
Noncurrent Liabilities	
2501 Due Within One Year	4,220,125
2502 Due in More Than One Year	110,095,077
2000 Total Liabilities	138,904,529
NET ASSETS	
3200 Invested in Capital Assets, Net of Related Debt	31,945,582
3840 Restricted for Food Service	2,058,831
3850 Restricted for Debt Service	1,200,852
3860 Restricted for Capital Projects	19,409,859
3890 Restricted for Other Purposes	2,816,746
3900 Unrestricted Net Assets	33,530,425
3000 Total Net Assets	\$ 90,962,295

The accompanying notes are an integral part of this statement.

**MIDLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2005**

Data Control Codes	1	Program Revenues		
		3	4	
	Expenses	Charges for Services	Operating Grants and Contributions	
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11	Instruction	\$ 84,291,708	\$ 276,369	\$ 10,056,944
12	Instructional Resources & Media Services	2,542,635	-	299,596
13	Curriculum and Staff Development	2,944,743	-	1,887,360
21	Instructional Leadership	1,391,091	-	500,966
23	School Leadership	7,974,223	-	327,434
31	Guidance, Counseling & Evaluation Services	4,140,154	-	704,629
32	Social Work Services	120,600	-	1,000
33	Health Services	1,511,714	-	142,803
34	Student (Pupil) Transportation	3,857,132	-	61,762
35	Food Services	7,873,327	2,211,745	119,460
36	Cocurricular/Extracurricular Activities	3,254,542	384,418	50,728
41	General Administration	3,841,451	-	23,516
51	Plant Maintenance and Operations	12,811,568	-	152,727
52	Security and Monitoring Services	578,927	-	9,594
53	Data Processing Services	1,402,621	-	5,958
61	Community Services	959,685	-	803,415
72	Debt Service - Interest on Long Term Debt	5,619,124	-	-
73	Debt Service - Bond Issuance Cost & Fees	43,120	-	-
[TP]	TOTAL PRIMARY GOVERNMENT:	<u>\$ 145,158,365</u>	<u>\$ 2,872,532</u>	<u>\$ 15,147,892</u>

Data Control Codes	General Revenues:
	Taxes:
MT	Property Taxes, Levied for General Purposes
DT	Property Taxes, Levied for Debt Service
GC	Grants & Contributions not Restricted
IE	Investment Earnings
MI	Miscellaneous Local and Intermediate Revenue
TR	Total General Revenues
CN	Change in Net Assets
NB	Net Assets--Beginning
NE	Net Assets--Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets	
5	6
Capital Grants and Contributions	Primary Government Governmental Activities
\$ 28,137	\$ (73,930,258)
-	(2,243,039)
-	(1,057,383)
-	(890,125)
-	(7,646,789)
-	(3,435,525)
-	(119,600)
-	(1,368,911)
224,115	(3,571,255)
-	(5,542,122)
-	(2,819,396)
-	(3,817,935)
16,948	(12,641,893)
-	(569,333)
-	(1,396,663)
-	(156,270)
-	(5,619,124)
-	(43,120)
<u>\$ 269,200</u>	<u>(126,868,741)</u>

74,842,721
7,088,672
52,075,660
2,229,187
1,362,163
<u>137,598,403</u>
10,729,662
80,232,633
<u>\$ 90,962,295</u>

**MIDLAND INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2005**

Data Control Codes	10 General Fund	20 National Sch Brkfst/Lunch	50 Debt Service Fund
ASSETS			
1110 Cash and Cash Equivalents	\$ 11,290,545	\$ 7,827	\$ 5,929
1120 Investments - Current	7,634,473	4,780,221	1,478,449
1220 Property Taxes - Delinquent	3,024,006	-	287,433
1230 Allowance for Uncollectible Taxes (credit)	(423,361)	-	(40,241)
1240 Due from Other Governments	8,665,443	415,040	-
1250 Accrued Interest	13,811	-	-
1260 Due from Other Funds	3,105,399	-	-
1290 Other Receivables	598,572	-	-
1300 Inventories	1,115,043	1,028,495	-
1410 Deferred Expenditures	702,843	-	-
1000 Total Assets	<u>\$ 35,726,774</u>	<u>\$ 6,231,583</u>	<u>\$ 1,731,570</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
2110 Accounts Payable	\$ 1,512,098	\$ 517,309	\$ -
2150 Payroll Deductions and Withholdings Payable	1,756,516	-	-
2160 Accrued Wages Payable	2,897,601	251,889	-
2170 Due to Other Funds	117,429	1,984,283	18,187
2180 Due to Other Governments	-	-	295,436
2300 Deferred Revenues	2,492,308	390,776	217,095
2000 Total Liabilities	<u>\$ 8,775,952</u>	<u>\$ 3,144,257</u>	<u>\$ 530,718</u>
Fund Balances:			
Reserved For:			
3410 Investments in Inventory	\$ 1,115,043	\$ 1,028,495	\$ -
3420 Retirement of Long-Term Debt	-	-	1,200,852
3440 Outstanding Encumbrances	673,208	-	-
3450 Food Service	-	2,058,831	-
Unreserved and Undesignated:			
3600 Reported in the General Fund	25,162,571	-	-
3610 Reported in Special Revenue Funds	-	-	-
3620 Reported in Capital Projects Funds	-	-	-
3000 Total Fund Balances	<u>\$ 26,950,822</u>	<u>\$ 3,087,326</u>	<u>\$ 1,200,852</u>
4000 Total Liabilities and Fund Balances	<u>\$ 35,726,774</u>	<u>\$ 6,231,583</u>	<u>\$ 1,731,570</u>

The accompanying notes are an integral part of this statement.

60 Capital Projects	Other Funds	Total Governmental Funds
\$ -	\$ 1,336,154	\$ 12,640,455
29,182,050	-	43,075,193
-	-	3,311,439
-	-	(463,602)
-	1,182,340	10,262,823
-	-	13,811
1,634,916	55,983	4,796,298
-	-	598,572
-	-	2,143,538
-	-	702,843
<u>\$ 30,816,966</u>	<u>\$ 2,574,477</u>	<u>\$ 77,081,370</u>
\$ 11,283,598	\$ 507,110	\$ 13,820,115
-	-	1,756,516
-	-	3,149,490
123,509	1,317,751	3,561,159
-	5,923	301,359
-	57,465	3,157,644
<u>\$ 11,407,107</u>	<u>\$ 1,888,249</u>	<u>\$ 25,746,283</u>
\$ -	\$ -	\$ 2,143,538
-	-	1,200,852
-	-	673,208
-	-	2,058,831
-	-	25,162,571
-	686,228	686,228
19,409,859	-	19,409,859
<u>\$ 19,409,859</u>	<u>\$ 686,228</u>	<u>\$ 51,335,087</u>
<u>\$ 30,816,966</u>	<u>\$ 2,574,477</u>	<u>\$ 77,081,370</u>

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MIDLAND INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
AUGUST 31, 2005

Total Fund Balances - Governmental Funds \$ 51,335,087

The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The net effect of this consolidation is to increase net assets. 5,321,766

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 \$170,366,739 and the accumulated depreciation was \$61,001,359. 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 decrease net assets. (9,907,447)

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 2005 capital outlays and debt principal payments is to increase net assets. 45,127,661

The 2005 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets. (3,403,876)

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 net assets. 2,489,104

Net Assets of Governmental Activities \$ 90,962,295

The accompanying notes are an integral part of this statement.

MIDLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2005

Data Control Codes	10 General Fund	20 National Sch Brkfst/Lunch	50 Debt Service Fund
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 77,495,357	\$ 2,316,403	\$ 7,247,964
5800 State Program Revenues	44,222,386	59,931	1,069,317
5900 Federal Program Revenues	562,731	5,833,330	-
5020 Total Revenues	<u>122,280,474</u>	<u>8,209,664</u>	<u>8,317,281</u>
EXPENDITURES:			
Current:			
0011 Instruction	72,421,997	-	-
0012 Instructional Resources & Media Services	2,114,594	-	-
0013 Curriculum & Instructional Staff Development	1,054,824	-	-
0021 Instructional Leadership	890,082	-	-
0023 School Leadership	7,539,064	-	-
0031 Guidance, Counseling & Evaluation Services	3,454,340	-	-
0032 Social Work Services	120,412	-	-
0033 Health Services	1,364,668	-	-
0034 Student (Pupil) Transportation	5,861,539	-	-
0035 Food Services	-	7,782,500	-
0036 Cocurricular/Extracurricular Activities	3,159,236	-	-
0041 General Administration	3,813,088	-	-
0051 Plant Maintenance and Operations	15,189,296	-	-
0052 Security and Monitoring Services	793,137	-	-
0053 Data Processing Services	1,394,899	-	-
0061 Community Services	167,186	-	-
Debt Service:			
0071 Debt Service - Principal on Long-Term Debt	13,312	-	4,549,997
0072 Debt Service - Interest on long-term debt	20,941	-	5,163,741
0073 Debt Service - Bond Issuance Cost and Fees	-	-	971,122
Capital Outlay:			
0081 Facilities Acquisition and Construction	-	-	-
6030 Total Expenditures	<u>119,372,615</u>	<u>7,782,500</u>	<u>10,684,860</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,907,859</u>	<u>427,164</u>	<u>(2,367,579)</u>
OTHER FINANCING SOURCES (USES):			
7915 Transfers In	-	-	-
8911 Transfers Out (Use)	-	(1,634,916)	-
8949 Other (Uses)	(45,135)	-	-
7080 Total Other Financing Sources (Uses)	<u>(45,135)</u>	<u>(1,634,916)</u>	<u>-</u>
1200 Net Change in Fund Balances	2,862,724	(1,207,752)	(2,367,579)
0100 Fund Balance - September 1 (Beginning)	24,088,098	4,295,078	3,568,431
3000 Fund Balance - August 31 (Ending)	<u>\$ 26,950,822</u>	<u>\$ 3,087,326</u>	<u>\$ 1,200,852</u>

The accompanying notes are an integral part of this statement.

60 Capital Projects	Other Funds	Total Governmental Funds
\$ 1,067,119	\$ 41,251	\$ 88,168,094
-	3,157,741	48,509,375
-	12,382,374	18,778,435
<u>1,067,119</u>	<u>15,581,366</u>	<u>155,455,904</u>
-	10,085,081	82,507,078
-	299,596	2,414,190
-	1,887,360	2,942,184
-	500,966	1,391,048
-	327,434	7,866,498
-	704,629	4,158,969
-	1,000	121,412
-	142,803	1,507,471
-	285,877	6,147,416
-	119,460	7,901,960
-	50,728	3,209,964
-	23,516	3,836,604
-	169,675	15,358,971
-	9,594	802,731
-	5,958	1,400,857
-	803,415	970,601
-	-	4,563,309
-	-	5,184,682
-	-	971,122
<u>34,706,359</u>	<u>-</u>	<u>34,706,359</u>
<u>34,706,359</u>	<u>15,417,092</u>	<u>187,963,426</u>
<u>(33,639,240)</u>	<u>164,274</u>	<u>(32,507,522)</u>
<u>1,634,916</u>	<u>45,135</u>	<u>1,680,051</u>
-	-	(1,634,916)
-	-	(45,135)
<u>1,634,916</u>	<u>45,135</u>	<u>-</u>
<u>(32,004,324)</u>	<u>209,409</u>	<u>(32,507,522)</u>
<u>51,414,183</u>	<u>476,819</u>	<u>83,842,609</u>
<u>\$ 19,409,859</u>	<u>\$ 686,228</u>	<u>\$ 51,335,087</u>

MIDLAND 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, 2005

Total Net Change in Fund Balances - Governmental Funds	\$	(32,507,522)
The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net assets.		1,081,275
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 2005 capital outlays and debt principal payments is to increase net assets.		45,127,661
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.		(3,403,876)
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 net assets.		432,124
Change in Net Assets of Governmental Activities	\$	<u>10,729,662</u>

The accompanying notes are an integral part of this statement.

**MIDLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
AUGUST 31, 2005**

	Internal Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 329,203
Investments - Current	11,121,009
Due from Other Funds	4,436
Total Assets	11,454,648
LIABILITIES	
Current Liabilites:	
Due to Other Funds	1,305,935
Payable from Restricted Assets	4,826,947
Total Liabilites	6,132,882
NET ASSETS	
Unrestricted Net Assets	5,321,766
Total Net Assets	\$ 5,321,766

The accompanying notes are an integral part of this statement.

MIDLAND INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2005

	<u>Internal Service Fund</u>
OPERATING REVENUES	
Local and Intermediate Sources	\$ 12,735,466
Total Operating Revenues	<u>12,735,466</u>
OPERATING EXPENSES:	
Payroll Costs	140,310
Supplies and Materials	5,119
Other Operating Costs	<u>11,508,762</u>
Total Operating Expenses	<u>11,654,191</u>
Operating Income	1,081,275
Total Net Assets - September 1 (Beginning)	<u>4,240,491</u>
Total Net Assets - August 31 (Ending)	<u>\$ 5,321,766</u>

The accompanying notes are an integral part of this statement.

**MIDLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRETIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2005**

	<u>Internal Service Fund</u>
Cash Flow from Operating Activities:	
Cash Receipts from Quasi-external Operating Activities with Other Funds	<u>\$ 12,596,788</u>
Cash Payments to Suppliers for Goods and Benefits	<u>(11,219,317)</u>
Net Cash Provided by (Used for) Operating Activities	<u>1,377,471</u>
Net Increase in Cash and Investments	1,377,471
Cash and Investments at the Beginning of Year	<u>10,072,741</u>
Cash and Investments at the End of the Year	<u>\$ 11,450,212</u>
 <u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u>	
Operating Income	\$ 1,081,275
 Effect of Increases and Decreases in Current Assets and Liabilities	
Increase in Receivables	(161)
Decrease in Accounts Payable	(7,626)
Increase in Due to Other Funds	28,051
Increase in Payable from Restricted Assets	<u>275,932</u>
Net Cash Used for Operating Activities	<u>\$ 1,377,471</u>

The accompanying notes are an integral part of this statement.

**MIDLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
AUGUST 31, 2005**

	Private Purpose Trust Funds	Employee Benefits Trust Fund	Student Activity Fund
ASSETS			
Cash and Cash Equivalents	\$ 67,233	\$ 39,775	\$ 501,061
Investments - Current	22,887	375,769	-
Due From Other Funds	-	92,038	-
Other Receivables	-	365,889	-
Total Assets	<u>\$ 90,120</u>	<u>\$ 873,471</u>	<u>\$ 501,061</u>
LIABILITIES			
Accounts Payable	\$ -	\$ 442,876	\$ 3,508
Due to Other Funds	25,677	-	-
Due to Student Groups	-	-	497,553
Due to Employees	-	-	-
Payable from Restricted Assets	64,443	430,595	-
Total Liabilities	<u>\$ 90,120</u>	<u>\$ 873,471</u>	<u>\$ 501,061</u>
NET ASSETS			
Unrestricted Net Assets	\$ -		
Total Net Assets	<u><u>\$ -</u></u>		

The accompanying notes are an integral part of this statement.

MIDLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Midland 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." GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units - an Amendment of GASB Statement No. 14", provides additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government. Based upon the requirements of these statements, 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 Midland Independent School District nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues.

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. 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.

Interfund activities between governmental funds appear as due to/due froms on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Assets and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Assets. All interfund transactions between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Assets as internal balances and on the Statement of Activities as interfund transfers. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Activities.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are nonoperating.

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 unmatured 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 and 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. 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.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Assets (Exhibit A-1). The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

D. FUND ACCOUNTING

The District reports the following major governmental funds:

1. **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. **National School Breakfast and Lunch Program Fund-** is used to account for federal reimbursement revenue from the United States Department of Agriculture as well as user fees (meal charges) for the National School Breakfast and Lunch Programs.
3. **The Debt Service Fund -** is used to account for the District's current portion of voter approved debt and the Foundation School Program's facilities allotment for bonded indebtedness.
4. **Capital Projects Fund –** is used to account for the proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions.

Additionally, the District reports the following fund types:

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 Special Revenue Funds. 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. **Permanent Funds –** Donations for which the donor has stipulated that the principal may not be expended and where the income may only be used for purposes that support the District's programs. The District has no Permanent Funds.

Proprietary Funds:

3. **Enterprise Funds –** Activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund. The District has no enterprise funds.
4. **Internal Service Funds –** Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in an internal service fund. The District's Internal Service Fund is for health, dental and workers compensation benefits.

Fiduciary Funds:

5. **Private Purpose Trust Funds –** Donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District's Private Purpose Trust Fund is the scholarship fund.
6. **Pension (and Other Employee Benefit) Trust Funds –** These funds are used to account for local pension and other employee benefit funds that are provided by the District in lieu of or in addition to the Teacher Retirement System of Texas. The District's Employee Benefit Trust Funds are the matching annuity and section 125 fund.
7. **Investment Trust Fund -** This fund is one in which the District holds assets in trust for other entities participating in an investment program managed by the district. The District has no Investment Trust Funds.
8. **Agency Funds –** The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Fund is the student activity fund.

E. OTHER ACCOUNTING POLICIES

1. For purposes of the statement of cash flows for proprietary and similar fund-types, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

2. The District reports inventories of supplies at weighted average cost including consumable maintenance, instructional, office, athletic, and transportation items. Supplies are recorded as expenditures when they are consumed. Inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and revenue when received. When requisitioned, inventory is decreased and expenditures are charged for an equal amount.
3. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

4. The District has adopted a policy to reimburse, upon retirement of employees, who have a minimum of ten years experience with the District, accrued sick leave up to 30 days. Any sick leave in excess of the 30 day accumulation is budgeted and paid within the current period. At August 31, 2005, the District's liability for unused sick leave is \$2,583,167.
5. Capital assets including land, buildings, furniture and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as items 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 are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building Improvements	40
Buses	10
Other Vehicles	5
Office Equipment	5
Computer Equipment	5

6. 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.
7. Restricted net assets represent restrictions that are externally imposed or restrictions imposed by law through constitutional provisions or enabling legislation.
8. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first unless unrestricted assets will have to be returned because they were not used.

9. The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a statewide database for policy development and funding plans.
10. In preparing financial statements in conformity with generally accepted accounting principals, management is required to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenditures. Actual results could differ from those reported.

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:

Capital Assets	Historical Costs	Accumulated Depreciation	Net Value at the Beginning of Year	Change in Net Assets
Land	\$ 6,146,743	\$ —	\$ 6,146,743	
Buildings & Improvements	148,915,107	(50,717,007)	98,198,100	
Furniture & Equipment	15,274,889	(10,284,352)	4,990,537	
Net Change in Assets				\$ 109,335,380
Long-term Liabilities at the Beginning of Year	Beginning Payables			
Bonds Payable (w/ Accretion)	(115,764,605)			
Other Payables	(3,478,222)			
Net Change in Assets				(119,242,827)
Total Adjustment to Net Assets				\$ (9,907,447)

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:

Capital Outlays & Long-Term Debt:	Amount
Additions - Furniture & Equipment	\$ 236,486
Additions - Buildings & Improvements	(40,091,635)
Additions - Land	(344,887)
Compensated Absence - Addition	129,244
Capital Lease Principal Payments	(13,312)
Bond Principal Issue net of Payments	(4,115,555)
Arbitrage Rebate Payable	(928,002)
Total Adjustment to Net Assets	\$ (45,127,661)

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:

Reclassifications:	Amount
Adjustments to Taxes - General Levy	\$ (376,460)
Adjustments to Taxes - Debt Service Levy	(55,664)
Total Adjustments to Beginning Net Assets	\$ (432,124)

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

BUDGETARY DATA

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 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.
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.

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 (Governments Code Chapter 2256) contains specific provisions in the area 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 expenditures, (4) acceptable risk levels, (5) expected rate of return, (6) maximum allowable stated maturity, (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, 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 testing 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.

Policies Governing Deposits and Investments

In compliance with the Public Fund Investment Act, the District has adopted a deposit and investment policy that allows investments with the following risks:

a. **Custodial Credit Risk – Deposits:** In the case of deposits, this is the risk that in the event of a bank failure, the government's deposit may not be returned. The District's policy regarding types of deposits allowed and collateral requirements is as follows. The depository bank is required by contract to collateralize all deposits as described by the Public Funds Investment Act with, (1) the market value of pledged securities, (2) a corporate surety bond or (3) FDIC Insurance. The District's depository is required to collateralize deposits by a value equal to at least 110% of the ledger balance up to a maximum of fifteen million dollars. All deposits were fully collateralized for the 2004-2005 fiscal year.

b. **Custodial Credit Risk – Investments:** For an investment, this is the risk that in the event of the failure of the custodial institution, the District would not be able to recover the value of its investments or collateral securities that are in the possession of the custodian.

As of August 31, 2005, all District investments were held by TexPool (Pool). Public Funds Investment Pools are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code and are subject to provisions of the Act, Chapter 2256 of the Texas Government Code and are required to maintain a continuous rating of no less than AAA or AAA-m or equivalent. The Pool is required to abide by local policy as well as the Public Funds Investment Act.

The Pool invested only in (1) U.S. agencies and treasuries, (2) fully collateralized repurchase agreements and reverse repurchase agreements, secured by any obligation of the United States, its agencies or its instrumentalities, (3) no-load money market mutual funds regulated by the Securities and Exchange Commission and rated AAA or equivalent, (4) certificates of deposit guaranteed or insured by the Federal Deposit Insurance Company or the National Credit Union Share Insurance Fund and secured by obligations of the United States, its agencies or instrumentalities, (5) commercial paper rated at least A-1 or P-1 (or the equivalent thereof) and fully secured by an irrevocable letter of credit by a national or state bank.

<u>Investment</u>	<u>Rating</u>	<u>Amount Invested</u>
TexPool	AAA-m per Standard & Poor	\$23,698,270
TexPool Prime	AAA-m per Standard & Poor	\$31,051,970

c. **Interest Rate Risk** – Interest Rate Risk exists when market fluctuations will adversely affect the fair value of the District’s investment portfolio. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The sensitivity of the fair values of the District’s investments to market interest rate fluctuations is shown as follows:

<u>Investment</u>	<u>Weighted Average Maturity (1)</u>	<u>Weighted Average Maturity (2)</u>
TexPool	28 days	54 days
TexPool Prime	25 days	26 days

(1) To arrive at weighted average maturity, the maturity of floating and variable rate securities was determined in accordance with SEC Rule 2a-7. This rule specifies that a floating rate security to be paid in 397 calendar days or less shall be deemed to have a next day maturity; and a variable rate security to be paid in 397 calendar days or less shall be deemed to have a maturity equal to the period remaining until the next interest rate adjustment.

(2) To arrive at weighted average maturity, the maturity of floating rate and variable rate securities was deemed to be the final maturity of such securities.

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. INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at August 31, 2005 consisted of the following individual fund balances:

	General Fund	Special Revenue	Debt Service	Capital Projects	Internal Service	Trust & Agency	Total
Due From General Fund	\$ -----	\$ 55,946	\$ -----	\$ -----	\$ -----	\$ 61,483	\$ 117,429
Due From Special Revenue Funds	1,632,128	-----	-----	1,634,916	4,436	30,555	3,302,035
Due From Debt Service Fund	18,187	-----	-----	-----	-----	-----	18,187
Due From Capital Projects Fund	123,509	-----	-----	-----	-----	-----	123,509
Due From Enterprise Funds	-----	-----	-----	-----	-----	-----	-----
Due From Internal Service Funds	1,305,898	37	-----	-----	-----	-----	1,305,935
Due From Trust & Agency Funds	25,677	-----	-----	-----	-----	-----	25,677
Total Due From	\$ 3,105,399	\$ 55,983	\$ -----	\$ 1,634,916	\$ 4,436	\$ 92,038	\$ 4,892,772
Due To General Fund	\$ -----	\$ 1,632,128	\$ 18,187	\$ 123,509	\$ 1,305,898	\$ 25,677	\$ 3,105,399
Due To Special Revenue Funds	55,946	-----	-----	-----	37	-----	55,983
Due To Debt Service Fund	-----	-----	-----	-----	-----	-----	-----
Due To Capital Projects Fund	-----	1,634,916	-----	-----	-----	-----	1,634,916
Due To Enterprise Funds	-----	-----	-----	-----	-----	-----	-----
Due To Internal Service Funds	-----	4,436	-----	-----	-----	-----	4,436
Due To Trust & Agency Funds	61,483	30,555	-----	-----	-----	-----	92,038
Total Due To	\$ 117,429	\$ 3,302,035	\$ 18,187	\$ 123,509	\$ 1,305,935	\$ 25,677	\$ 4,892,772

The purpose of the interfund transfers as of August 31, 2005, represent amounts transferred to special purpose funds. The \$45,135 reflects Campuses and Departments providing budgeted resources to help pay for the Celebration of Lights production. The \$1,634,916 reflects expenditures made by the Capital Projects Fund for the benefit of the National School Breakfast/Lunch Program.

Interfund transfers for the year ended August 31, 2005 consisted of the following amounts:

	Transfers Out	Transfers In
General Fund	\$ 45,135	\$ -----
Special Revenue Funds	-----	45,135
National School Brkfst/Lunch Program	-----	1,634,916
Capital Project Revenue Fund	1,634,916	-----
Total	\$1,680,051	\$1,680,051

E. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended August 31, 2005, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Land	\$ 6,146,743	\$ 344,887	\$ —	\$ 6,491,630
Buildings and Improvements	148,915,107	40,125,750	(34,115)	189,006,742
Furniture and Equipment	15,173,889	410,567	(647,053)	14,937,403
Leased Property Under Capital Leases	101,000	—	—	101,000
Totals at Historic Cost	170,336,739	40,881,204	(681,168)	210,536,775
Less Accumulated Depreciation:			Current Depreciation	
Buildings and Improvements	(50,717,007)		(2,994,552)	(53,711,559)
Furniture and Equipment	(10,277,619)		(389,124)	(10,666,743)
Leased Property Under Capital Leases	(6,733)		(20,200)	(26,933)
Total Accumulated Depreciation	(61,001,359)		(3,403,876)	(64,405,235)
Governmental Activities Capital Assets, Net	\$ 109,335,380	\$ 40,881,204	\$ (4,085,044)	\$146,131,540

Depreciation expense was charged to governmental functions as follows:	Amount
Instruction	\$ (2,045,976)
Instructional Resources and Media Services	(121,579)
Curriculum Development and Instructional Staff Development	(12,395)
Instructional Leadership	(5,445)
School Leadership	(163,164)
Guidance, Counseling and Evaluation Services	(6,986)
Health Services	(14,418)
Student (Pupil) Transportation	(541,175)
Food Services	(49,343)
Cocurricular/Extracurricular Activities	(46,263)
General Administration	(18,730)
Plant Maintenance and Operations	(297,365)
Security and Monitoring Service	(9,400)
Data Processing Services	(71,637)
Total Adjustment to Net Assets (See C-2 and C-4)	\$ (3,403,876)

F. BONDS PAYABLE

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

A summary of changes in general long-term debt for the year ended August 31, 2005 is as follows:

Date of Issue	Series	Interest Rate	Amount of Original Issue	Amount o/s 9/1/2004	Issued	Interest Accretion	Retired Current Year	Amount o/s 8/31/2005
11/15/91	1991B	6-8%	4,000,000	425,000	----	----	425,000	----
10/15/93	1993 ⁽¹⁾	2.6-5.15%	24,960,000	4,834,315	----	249,889	2,385,000	2,699,204
7/2/01	1997	3.5-4.625%	6,055,000	3,785,000	----	----	----	3,785,000
4/1/99	1997A	4-5.5%	9,855,000	6,040,000	----	----	975,000	5,065,000
11/15/98	1998	4.75-5%	20,450,000	16,845,000	----	----	----	16,845,000
11/15/98	1998 ⁽¹⁾	4.2-4.3%	1,520,000	1,457,589	----	46,520	764,997	739,112
5/20/03	2003 ⁽¹⁾	2.75%	2,470,000	2,306,970	----	63,879	----	2,370,849
5/20/03	2003	4.0-5.25%	53,095,000	53,095,000	----	----	----	53,095,000
6/20/04	2004	4.28-4.51%	2,555,000	1,690,730	----	74,154	----	1,764,884
6/20/04	2004	5.00%	25,285,000	25,285,000	----	----	----	25,285,000
Total				\$ 115,764,604	----	\$ 434,442	\$ 4,549,997	\$ 111,649,049

(1) Capital Appreciation Bonds

Debt service requirements are as follows:

Year	Principal	Interest	Total
2006	\$ 4,203,366	\$ 5,138,864	\$ 9,342,230
2007	4,430,825	5,034,724	9,465,549
2008	4,735,000	4,811,974	9,546,974
2009	4,860,000	4,617,150	9,477,150
2010	5,090,000	4,388,075	9,478,075
Thereafter	88,329,858	42,366,184	130,696,042
Total	\$ 111,649,049	\$ 66,356,971	\$ 178,006,020

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. The School District's legal debt service margin is \$.50 per \$100 assessed value, which calculates to approximately \$23,000,000.

On July 20, 2004, the School District issued the remaining \$26,975,000 of bonds approved under the of the February 2003 bond authorization. The bonds were issued for construction and renovation of secondary campuses. The proceeds were also used to fund issuance costs of \$359,244. The bonds are payable from a continuing direct annual ad valorem tax levied by the District.

On April 8, 2003, the School District issued \$55,419,986.30 of bonds in order to retire a portion of bonded debt outstanding on that date and to pay for the cost of renovating secondary schools within the District. The proceeds of the bonds were also used to pay issuance costs of \$248,000 and underwriters' discount of \$371,823. In February 2003, the District received authorization by passage of a bond referendum to issue \$67,087,500 to fund the secondary school projects. The \$40,000,000 in new bonds to fund the costs of renovations is the first issuance of this authorization. The refunded bond proceeds were invested in direct obligations of the Government of the United States with maturities, which will coincide with the interest and principal due dates of the refunded bonds. The investment income will be adequate to retire future interest and principal payments of the refunded bonds, which had a book value of \$16,115,000 at the date of refunding. The extinguishment of these bonds qualifies as an in-substance defeasance of debt; therefore, the \$16,115,000 in refunded bonds have been removed from the Long Term Debt Group. This refunding resulted in an economic gain of approximately \$700,000.

On December 30, 1998, the School District issued \$21,114,994 of bonds in order to retire a portion of bonded debt outstanding on that date and to pay the cost of renovating elementary schools within the District. The proceeds of the bonds were also used to pay issuance costs of \$75,000 and underwriters discount of \$150,287. The refunded bond proceeds were deposited into an escrow trust account. These proceeds were invested in direct obligations of the Government of the United States with maturities which coincide with the interest and principal due dates of the refunded bonds. The investment income will be adequate to retire future interest and principal payments of the refunded bonds, which had a book value of \$1,615,000 at the date of the refunding. The extinguishment of these bonds qualifies as an in-substance defeasance of debt; therefore, the \$1,615,000 in refunded bonds have been removed from the Long-Term Debt Group. The purpose of the refunding was to secure a fixed interest rate on the bonds, which had previously been subject to variable interest rates. This refunding resulted in an economic loss of approximately \$17,000.

On April 1, 1997 the District issued \$20,000,000 of bonds to be used for the construction, renovation and equipping of school facilities and to pay \$139,994, the costs of issuance of the bonds. The bonds are payable from a continuing direct annual ad valorem tax levied by the District, without limits as to rate or amount, on all taxable property within the District. On April 1, 1999, \$9,855,000 of the bonds were converted to fixed rate bonds. On July 2, 2001, \$6,055,000 of the bonds were converted to fixed rate bonds.

On October 15, 1993, the Midland Independent School District issued \$22,553,754 of bonds in order to retire a portion of bonded debt outstanding on that date. The proceeds of the bonds were also used to pay issuance costs and underwriter discounts of approximately \$115,000. The refunded bond proceeds were deposited into an escrow trust account and invested in direct obligations of the Government of the United States with maturities which coincide with the interest and principal due dates of the refunded bonds. The investment income will be adequate to retire future interest and principal payments of the refunded bonds, which had a book value of \$19,920,000 at the date of refunding. The extinguishment of these bonds qualifies as an in-substance defeasance of debt; therefore, the \$19,920,000 in refunded bonds have been removed from the Long-Term Debt Group. The purpose of the refunding was to extend maturities in order to prevent a higher allocation of property tax receipts toward debt service requirements. This refunding decreased total debt service by approximately \$1,635,000 and resulted in an economic gain of approximately \$800,000.

On December 1, 1992, the Midland Independent School District issued \$13,639,179 of bonds in order to retire a portion of bonded debt outstanding on that date. The proceeds of the bonds were also used to pay issuance costs of approximately \$53,500 and underwriter discounts of approximately \$109,000. The refunded bond proceeds were deposited into an escrow trust account and invested in direct obligations of the Government of the United States with maturities which coincide with the interest and principal due dates of the refunded bonds. The investment income will be adequate to retire future interest and principal payments of the refunded bonds, which had a book value of \$12,242,130 at the date of refunding. The extinguishment of these bonds qualifies as an in-substance defeasance of debt; therefore, the \$12,242,130 in refunded bonds have been removed from the Long-Term Debt Group.

On August 29, 1991, the District issued \$22,617,622 of bonds in order to retire a portion of the bonded debt outstanding on that date and to pay the cost of constructing two new schools and building additions/improvements to existing schools in the District. The proceeds of the bonds were also used to pay issuance costs of approximately \$131,000 to underwriter discounts of approximately \$339,000. The refunded bond proceeds were deposited into an escrow trust account. These proceeds were invested in direct obligations of the Government of the United States with maturities which coincide with the interest and principal due dates of the refunded bonds. The investment income will be adequate to retire future interest and principal payments of the refunded bonds, which had a book value of \$1,860,876 at the date of refunding. The

extinguishment of these bonds qualifies as an in-substance defeasance of debt; therefore, the \$1,860,876 in refunded bonds Group, and the remaining refunded bonds were called in the fiscal year ended August 31, 2001.

On July 1, 1988, the Midland Independent School District issued \$18,034,965 of bonds in order to retire a portion of bonded debt outstanding on that date, to pay the costs of site acquisition, construction, and equipping of new school buildings in the District, and to pay the costs related to the issuance of the bonds. Their refunded bond proceeds were deposited into an escrow trust account. These proceeds were invested in direct obligations of the Government of the United States with maturities which coincide with the interest and principal due dates of the refunded bonds. The investment income will be adequate to retire future interest and principal payments of the \$5,555,000 in refunded bonds. The extinguishment of these bonds qualifies as an in-substance defeasance of debt; therefore, the \$5,555,000 in refunded bonds have been removed from the Long-Term Debt Group.

Capital Appreciation Bonds with an original issue amount of \$6,084,433 are included in the above maturities. These reflect the total amount of accreted interest to be paid on those bonds maturing in the respective years, and do not include interest accruing but not paid in years prior to maturity. The accreted value of the capital appreciation bonds at August 31, 2002 is \$8,802,507. The value of the Capital Appreciation Bonds at maturity is \$10,225,000.

There are a number of limitations and restrictions contained in the general obligation bond indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions as of August 31, 2005.

G. COMMITMENTS UNDER LEASES

Capital Leases

The district acquired office and instructional equipment under long-term capital lease agreement. The imputed interest rate is 23.25%. The value of capital lease items in the government wide fund statements is \$101,000.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 16,759	\$ 17,581
2007	21,099	13,242
2008	26,562	7,779
2009	18,565	1,466
Estimated Future Capital Lease Payments		\$123,053
Rental Expenditures in Fiscal Year 2005		\$34,341

H. ACCUMULATED UNPAID SICK LEAVE BENEFITS

The District has adopted a policy to reimburse, upon retirement of employees, who have a minimum of ten years experience with the District, accrued sick leave up to 30 days. Any sick leave in excess of the 30-day accumulation is budgeted and paid within the current period. At August 31, 2005, the District 's liability for unused sick leave is \$2,583,167.

I. DEFINED BENEFIT PENSION PLAN

Plan Description. Midland Independent School District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River

Street, Austin, Texas 8701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

Funding Policy. State law provides for fiscal years 2003, 2004, and 2005 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 Midland Independent School District's employees for the years ended August 31, 2003, 2004 and 2005 were \$4,293,158, \$5,240,420, and \$4,895,865 respectively. Midland Independent School District paid additional state contributions for the years ended August 31, 2003, 2004, and 2005 in the amount of \$1,069,145, \$1,453,360, and \$1,064,126, respectively, on the portion of the employees' salaries that exceeded the statutory minimum.

J. HEALTH CARE COVERAGE

The District sponsors a modified self-insurance plan to provide health care benefits to staff members and their dependents. Transactions related to the plan are accounted for in the Health Insurance Fund (the "Fund"), an internal service fund of the District. Partial staff member contributions are required for personal coverage and total staff member contributions are required for coverage of dependents. The District obtained excess loss insurance which limited annual claims paid from the Fund for the year ended August 31, 2005, to \$100,000 for any individual participant and an aggregate limit equal to \$1,000,000. Estimates of claims payable and of claims incurred, but not reported at August 31, 2005, are reflected as accounts and claims payable of the Fund. The plan is funded to discharge liabilities of the Fund as they become due.

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

	<u>Year Ended August 31, 2004</u>	<u>Year Ended August 31, 2005</u>
Unpaid claims, beginning of the year	\$ 1,809,177	\$ 2,263,282
Incurred claims/changes in estimates (including IBNR'S)	8,781,766	8,847,033
Claim Payments	<u>(8,327,661)</u>	<u>(8,819,911)</u>
Unpaid claims, end of fiscal year	<u>\$ 2,263,282</u>	<u>\$ 2,290,404</u>

K. CHANGES IN LONG-TERM LIABILITIES

Long-term activity for the year ended August 31, 2005, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Bonds and Notes Payable	\$ 115,764,605	\$ 434,442	\$ (4,549,997)	\$ 111,649,050
Capital Leases	96,297	-	(13,312)	82,985
Compensated Absences	2,453,923	129,244	-	2,583,167
Arbitrage Rebate Payable	928,002	-	(928,002)	-
Total Long-Term Liabilities	\$ 119,242,827	\$ 563,686	\$ (5,491,311)	\$ 114,315,202

L. DEFERRED REVENUE

Deferred revenue at year-end consisted of the following:

	General Fund	Special Revenue Funds	Debt Service Fund	Total
Net Tax Revenue	\$ 2,272,010	\$ —	\$ 217,095	\$ 2,489,105
Gate Receipts	191,071	—	—	191,071
Coaching Stipends	24,233	—	—	24,233
Texas Statewide Tobacco	—	1,645	—	1,645
Bilingual Ed – Prof Development	—	8,187	—	8,187
Idea B – Discretionary Deaf	—	421	—	421
F/S Commodities	—	390,776	—	390,776
ESEA Title II, Part A,	—	5,872	—	5,872
ESEA Title I, Comprehensive	—	10,109	—	10,109
Library Supplement	—	357	—	357
Title III, Part A	—	1,124	—	1,124
Air Force Junior ROTC	—	14,918	—	14,918
Advance Placement	—	12,732	—	12,732
Shaken Baby	—	372	—	372
Music Plus	—	1,728	—	1,728
Miscellaneous	4,994	—	—	4,994
Total	\$ 2,492,308	\$ 448,241	\$ 217,095	\$ 3,157,644

M. 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, 2005, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

Description	Amount
General Fund	\$ 8,665,443
Food Service	415,040
Head Start	79,161
Fund for Improvement of Education	27,564
ESEA Title IV – Safe & Drug Free Sch	7,626
ESEA Title I, A- Improving Basic Prgs	95,389
ESEA Title I, C - Migrant	4,307
ESEA Title I, B – Even Start Family	80,504
Bilingual Ed-Prof Dev Teacher	152,230
IDEA, Part B, Formula	263,585
IDEA, Part B, Preschool	8,618
Vocational Ed-Basic Grant	37,699
Title I, CSR-High School Initiative	9,576
Title II, Part D-Enhancing Ed.	775
Title V, Part A-Innovative Programs	79,012
Foreign Language Assistance	56,620
Teacher Supply Reimbursement	15,240
FSP-Investment Capital	6,099
Pregnancy Education & Parenting Prg	3,932
Investment Capital Funds	15,371
Texas Grants Expansion	6,995
Accelerated Reading Instruction Prg	167,000
Texas high School Completion	53,728
Technology Allotmet	861
Kindergarten and Pre-K Grant	10,448
Total	\$ 10,262,823

N. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total
Property Taxes	\$74,842,721	\$ —	7,088,672	\$ —	\$81,931,393
Penalties, Interest and Other Tax-related Income	780,363	—	—	—	780,363
Investment Income	697,731	108,068	159,292	996,560	1,961,651
Food Sales	—	2,211,745	—	—	2,211,745
Co-curricular/Extra-curricular Student Activities	—	—	—	—	—
Other	1,174,542	37,841	—	70,559	1,282,942
Total	\$77,495,357	\$ 2,357,654	\$ 7,247,964	\$ 1,067,119	\$88,168,094

O. CONTINGENT LIABILITIES

The District participates in numerous federally-funded programs, on both a direct and state pass-through basis, as well as on a service-provider basis. In connection with these grants, the District is required to comply with specific terms and agreements, as well as applicable federal and state laws and regulations. Such compliance is subject to review and audit by the grantors and their representatives, including audits under the "Single Audit" concept and compliance examinations which build upon such audits.

In the opinion of management, the District has materially complied with all requirements. However, since such programs are subject to future audit or review, the possibility of disallowed expenditures exists. In the event of such disallowance of claimed expenditures, the District does not expect the resulting liability to have a material adverse effect on its combined financial statements at August 31, 2005.

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

P. CONSTRUCTION COMMITMENTS

The District had the following construction commitments as of August 31, 2005:

Name of Project	Contract Amount	Current Yr Expenditures	Balance of Contract
Lee High Project	\$ 12,837,488	\$ 9,712,569	\$ 3,124,919
Midland High Project	13,498,054	8,423,277	5,074,777
Lee Freshman Project	5,062,958	4,838,758	224,200
Midland Freshman Project	4,954,321	3,797,397	1,156,924
Alamo Project	2,483,828	2,311,440	172,388
San Jacinto Project	7,608,845	2,943,623	4,665,222
Total	\$ 46,445,494	\$ 32,027,064	\$ 14,418,430

Q. MAINTENANCE OF EFFORT

For fully insured districts/entities/risk pools, enter the total amount paid by the district for employee health care premiums as reported to TEA per Note J:

a) Total District Premium paid for health care 2004-05	\$8,150,422
b) Subtract any non-medical expenditures Life Insurance	(36,438)
c) 2004-2005 Maintenance of Effort	\$8,113,984

Self-insured Districts/Entities/Risk Pools: TRS will permit a self-insured district to include in (b) a deduction for any individual one-time high cost claims from the total cost. Claims must be documented and considered an extraordinary, catastrophic expense (i.e., not covered by stop loss).

R. EMPLOYEE DEFINED CONTRIBUTION PLAN

The District participates in a matching annuity plan for the benefit of its employees. A person employed before August 1, 2002 may elect to participate in the plan by contributing part of his or her income to a Section 403(b) or Section 457 deferred compensation plan. The District matches the employees' contributions to the maximum of 3.0%. The percentage contributed by the District is determined annually by the Board of Trustees. Participants begin to vest in benefits after 3 years and become fully vested after 5 years. Participants are 100% vested in their personal contributions at all times. At August 31, 2005, 1,420 employees participated in the plan and the District contributed \$1,495,347.

S. WORKER'S COMPENSATION

GASB 10 requires that state and local governmental entities other than public entity risk pools are required to report an estimated loss from a claim as an expenditure/expense and as a liability if both of these conditions are met:

a) Information available before the financial statements are issued indicates that it is probable that an asset had been impaired or a liability had been incurred at the date of the financial statements. It is implicit in this condition that it must be probable that one or more future events will also occur, confirming the fact of the loss. b) The amount of the loss can be reasonably estimated.

Beginning in 1997, the District changed from a self-funded worker's compensation plan to an outside provider for their worker's compensation coverage. The District remains liable for claims incurred prior to August 31, 1997 under the self-funded plan. These run-off claims amount to approximately \$493,309 and are included in the total accrued liabilities. The District remained fully-insured until March of 2001, at which time the District established its current self-funded program. The District has since maintained a self-insured retention of \$200,000 per occurrence. The District currently purchases excess coverage to statutory limits from the Texas Association of School Boards. The District does not purchase aggregate excess insurance. Claims administration is provided by the Texas Association of School Boards.

At August 31, 2005, the accrued liabilities for worker's compensation self-insurance of \$2,536,543 includes estimated incurred but not reported claims.

The following year-by-year exposure details the number of annual claims:

Fiscal Year	Claims
1996	326
1997	279
1998	342
1999	338
2000	139
2001	332
2002	314
2003	298
2004	290
2005	24
10 Year Average	268

Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
2004	2,287,733	721,101	702,026	2,306,808
2005	2,306,808	519,681	289,946	2,536,543

T. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2005, 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.

U. RECENTLY ISSUED PRONOUNCEMENTS

In November 2003, the GASB issued Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries" that requires governments to report the effects of capital asset impairment in their financial statements when it occurred. This Statement also enhances comparability of financial statements by requiring all governments to account for insurance recoveries in the same manner. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2004.

In June 2004, the GASB issued Statement No. 44, "Economic Condition Reporting the Statistical Sections." Statement No. 44 enhances and updates the statistical section to reflect the significant changes that have taken place in government finance. Statement No. 44 is effective for periods beginning after June 15, 2005.

In December 2004, the GASB issued Statement No. 46, "Net Assets Restricted by Enabling Legislation, an Amendment of GASB Statement No. 34." The purpose of Statement No. 46 is to help governments determine when net assets have been restricted to a particular use. This statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation as of the end of the reporting period. Statement No. 46 is effective for periods beginning after June 15, 2005.

Management is reviewing the implementation process by gathering required information.

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MIDLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2005

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	\$ 74,388,377	\$ 77,424,392	\$ 77,495,357	\$ 70,965
5800 State Program Revenues	45,777,614	44,597,884	44,222,386	(375,498)
5900 Federal Program Revenues	390,000	512,215	562,731	50,516
5020 Total Revenues	120,555,991	122,534,491	122,280,474	(254,017)
EXPENDITURES:				
Current:				
0011 Instruction	72,097,402	73,059,358	72,421,997	637,361
0012 Instructional Resources & Media Services	2,200,445	2,197,417	2,114,594	82,823
0013 Curriculum & Instructional Staff Development	1,536,898	1,177,589	1,054,824	122,765
0021 Instructional Leadership	848,715	928,846	890,082	38,764
0023 School Leadership	7,575,910	7,699,175	7,539,064	160,111
0031 Guidance, Counseling & Evaluation Services	3,946,325	3,548,864	3,454,340	94,524
0032 Social Work Services	121,338	126,808	120,412	6,396
0033 Health Services	1,401,695	1,406,002	1,364,668	41,334
0034 Student (Pupil) Transportation	5,430,869	5,904,269	5,861,539	42,730
0036 Cocurricular/Extracurricular Activities	3,131,765	3,224,612	3,159,236	65,376
0041 General Administration	4,066,133	3,863,929	3,813,088	50,841
0051 Plant Maintenance and Operations	15,027,100	15,367,649	15,189,296	178,353
0052 Security and Monitoring Services	788,980	819,424	793,137	26,287
0053 Data Processing Services	1,409,456	1,505,901	1,394,899	111,002
0061 Community Services	186,081	192,495	167,186	25,309
0071 Debt Service - Principal on Long-Term Debt	14,086	20,504	13,312	7,192
0072 Debt Service - Interest on long-term debt	20,941	20,941	20,941	-
6030 Total Expenditures	119,804,139	121,063,783	119,372,615	1,691,168
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	751,852	1,470,708	2,907,859	1,437,151
OTHER FINANCING SOURCES (USES):				
8949 Other (Uses)	-	-	(45,135)	(45,135)
7080 Total Other Financing Sources (Uses)	-	-	(45,135)	(45,135)
1200 Net Change in Fund Balances	751,852	1,470,708	2,862,724	1,392,016
0100 Fund Balance - September 1 (Beginning)	24,088,098	24,088,098	24,088,098	-
3000 Fund Balance - August 31 (Ending)	\$ 24,839,950	\$ 25,558,806	\$ 26,950,822	\$ 1,392,016

**MIDLAND INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2005**

Data Control Codes	202 Fund For Improvement of Education	203 Texas Statewide Tobacco Ed	204 ESEA Title IV Safe & Drug Free Schools	205 Head Start
ASSETS				
1110	\$ -	\$ 1,645	\$ -	\$ 2,573
1240	27,564	-	7,626	79,161
1260	-	-	-	-
1000	<u>\$ 27,564</u>	<u>\$ 1,645</u>	<u>\$ 7,626</u>	<u>\$ 81,734</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
2110	\$ 26,733	\$ -	\$ -	\$ 10,016
2170	831	-	7,626	71,718
2180	-	-	-	-
2300	-	1,645	-	-
2000	<u>27,564</u>	<u>1,645</u>	<u>7,626</u>	<u>81,734</u>
Fund Balances:				
Unreserved and Undesignated:				
3610	-	-	-	-
3000	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	<u>\$ 27,564</u>	<u>\$ 1,645</u>	<u>\$ 7,626</u>	<u>\$ 81,734</u>

EXHIBIT H-1 (Cont'd)

211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	213 ESEA Title I Part B Even Start	219 Bilingual Ed Professional Development	220 Bilingual Ed Prof Dev Teacher Grant	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	226 IDEA - Part B Discretionary
\$ -	\$ -	\$ -	\$ 8,186	\$ -	\$ 401,548	\$ -	\$ -
95,389	4,307	80,504	-	152,230	263,585	8,618	-
-	12,638	-	-	37	-	-	3,671
<u>\$ 95,389</u>	<u>\$ 16,945</u>	<u>\$ 80,504</u>	<u>\$ 8,186</u>	<u>\$ 152,267</u>	<u>\$ 665,133</u>	<u>\$ 8,618</u>	<u>\$ 3,671</u>
\$ 66,865	\$ 16,687	\$ 42,243	\$ -	\$ 137,357	\$ 38,078	\$ 8,618	\$ 3,250
28,524	258	38,261	-	14,910	627,055	-	-
-	-	-	-	-	-	-	-
-	-	-	8,186	-	-	-	421
<u>95,389</u>	<u>16,945</u>	<u>80,504</u>	<u>8,186</u>	<u>152,267</u>	<u>665,133</u>	<u>8,618</u>	<u>3,671</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 95,389</u>	<u>\$ 16,945</u>	<u>\$ 80,504</u>	<u>\$ 8,186</u>	<u>\$ 152,267</u>	<u>\$ 665,133</u>	<u>\$ 8,618</u>	<u>\$ 3,671</u>

**MIDLAND INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2005**

Data Control Codes	227 IDEA - Part B Deaf	228 IDEA - Part B Preschool Deaf	242 Summer Feeding Program	244 C D Perkins Basic Grant Formula	
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ 389,264	\$ -
1240	Due from Other Governments	-	-	-	37,699
1260	Due from Other Funds	107	-	-	-
1000	Total Assets	\$ 107	\$ -	\$ 389,264	\$ 37,699
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ 107	\$ -	\$ -	\$ 5,361
2170	Due to Other Funds	-	-	11,849	32,338
2180	Due to Other Governments	-	-	-	-
2300	Deferred Revenues	-	-	-	-
2000	Total Liabilities	107	-	11,849	37,699
Fund Balances:					
Unreserved and Undesignated:					
3610	Reported in Special Revenue Funds	-	-	377,415	-
3000	Total Fund Balances	-	-	377,415	-
4000	Total Liabilities and Fund Balances	\$ 107	\$ -	\$ 389,264	\$ 37,699

EXHIBIT H-1 (Cont'd)

255 ESEA II, A Teacher & Prin Training	256 ESEA, I Comp School Reform	257 Title I, CSR- High School Initiative	259 Library Supplement	262 Title II, D Education Technology	263 Title III Part A LEP	269 Title V, Pt.A Innovative Programs	284 Air Force Junior ROTC
\$ 57,774	\$ 10,109	\$ -	\$ 453	\$ -	\$ 2,941	\$ -	\$ 15,649
-	-	9,576	-	775	-	79,012	-
-	-	-	-	-	428	-	-
<u>\$ 57,774</u>	<u>\$ 10,109</u>	<u>\$ 9,576</u>	<u>\$ 453</u>	<u>\$ 775</u>	<u>\$ 3,369</u>	<u>\$ 79,012</u>	<u>\$ 15,649</u>
\$ 3,469	\$ -	\$ 4,577	\$ -	\$ 775	\$ 1,873	\$ 78,967	\$ 238
48,433	-	4,999	96	-	372	45	492
-	-	-	-	-	-	-	-
5,872	10,109	-	357	-	1,124	-	14,919
<u>57,774</u>	<u>10,109</u>	<u>9,576</u>	<u>453</u>	<u>775</u>	<u>3,369</u>	<u>79,012</u>	<u>15,649</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 57,774</u>	<u>\$ 10,109</u>	<u>\$ 9,576</u>	<u>\$ 453</u>	<u>\$ 775</u>	<u>\$ 3,369</u>	<u>\$ 79,012</u>	<u>\$ 15,649</u>

**MIDLAND INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2005**

Data Control Codes	286 Foreign Language Assistance	287 Teacher Supply Reimbursement	289 Title IV Community Service	386 State Deaf
ASSETS				
1110	\$ -	\$ -	\$ -	\$ 58,192
1240	56,620	15,240	-	-
1260	-	15,315	-	-
1000	<u>\$ 56,620</u>	<u>\$ 30,555</u>	<u>\$ -</u>	<u>\$ 58,192</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
2110	\$ 2,228	\$ -	\$ -	\$ -
2170	54,392	30,555	-	58,192
2180	-	-	-	-
2300	-	-	-	-
2000	<u>56,620</u>	<u>30,555</u>	<u>-</u>	<u>58,192</u>
Fund Balances:				
Unreserved and Undesignated:				
3610	-	-	-	-
3000	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	<u>\$ 56,620</u>	<u>\$ 30,555</u>	<u>\$ -</u>	<u>\$ 58,192</u>

EXHIBIT H-1 (Cont'd)

392 Investment Capital Fund	394 Pregnancy, Education and Parenting	396 Advanced Placement/ Testing	397 Shaken Baby	399 Investment Capital Fund	401 Optional Extended Year Program	406 Accelerated Reading Program	407 Texas Grants Expansion
\$ -	\$ -	\$ 12,840	\$ 372	\$ -	\$ -	\$ 46,314	\$ -
6,099	3,932	-	-	15,371	-	167,000	6,995
2,085	20,057	-	-	-	1,561	-	-
<u>\$ 8,184</u>	<u>\$ 23,989</u>	<u>\$ 12,840</u>	<u>\$ 372</u>	<u>\$ 15,371</u>	<u>\$ 1,561</u>	<u>\$ 213,314</u>	<u>\$ 6,995</u>
\$ 6,851	\$ 23,989	\$ -	\$ -	\$ 12,143	\$ 1,561	\$ -	\$ 167
1,333	-	108	-	3,228	-	213,314	6,828
-	-	-	-	-	-	-	-
-	-	12,732	372	-	-	-	-
<u>8,184</u>	<u>23,989</u>	<u>12,840</u>	<u>372</u>	<u>15,371</u>	<u>1,561</u>	<u>213,314</u>	<u>6,995</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 8,184</u>	<u>\$ 23,989</u>	<u>\$ 12,840</u>	<u>\$ 372</u>	<u>\$ 15,371</u>	<u>\$ 1,561</u>	<u>\$ 213,314</u>	<u>\$ 6,995</u>

**MIDLAND INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2005**

Data Control Codes	409 Texas High School Compl & Success	411 Technology Allotment	413 Telecom Infrastruct. Fund	415 Pre- K and Kindergarten Grant	
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ 260,404	\$ -	\$ -
1240	Due from Other Governments	53,728	861	-	10,448
1260	Due from Other Funds	-	-	84	-
1000	Total Assets	<u>\$ 53,728</u>	<u>\$ 261,265</u>	<u>\$ 84</u>	<u>\$ 10,448</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ 5,787	\$ 1,689	\$ 84	\$ 7,397
2170	Due to Other Funds	47,941	10,936	-	3,051
2180	Due to Other Governments	-	-	-	-
2300	Deferred Revenues	-	-	-	-
2000	Total Liabilities	<u>53,728</u>	<u>12,625</u>	<u>84</u>	<u>10,448</u>
Fund Balances:					
Unreserved and Undesignated:					
3610	Reported in Special Revenue Funds	-	248,640	-	-
3000	Total Fund Balances	<u>-</u>	<u>248,640</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 53,728</u>	<u>\$ 261,265</u>	<u>\$ 84</u>	<u>\$ 10,448</u>

418 Employee Health Insurance	427 Read to Succeed	428 Advanced Placement	465 School to Career Technology	485 Music Plus Program	499 Storytelling	Total Nonmajor Governmental Funds
\$ 5,923	\$ -	\$ 18	\$ 48	\$ 1,728	\$ 60,173	\$ 1,336,154
-	-	-	-	-	-	1,182,340
-	-	-	-	-	-	55,983
<u>\$ 5,923</u>	<u>\$ -</u>	<u>\$ 18</u>	<u>\$ 48</u>	<u>\$ 1,728</u>	<u>\$ 60,173</u>	<u>\$ 2,574,477</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 507,110
-	-	18	48	-	-	1,317,751
5,923	-	-	-	-	-	5,923
-	-	-	-	1,728	-	57,465
<u>5,923</u>	<u>-</u>	<u>18</u>	<u>48</u>	<u>1,728</u>	<u>-</u>	<u>1,888,249</u>
-	-	-	-	-	60,173	686,228
-	-	-	-	-	60,173	686,228
<u>\$ 5,923</u>	<u>\$ -</u>	<u>\$ 18</u>	<u>\$ 48</u>	<u>\$ 1,728</u>	<u>\$ 60,173</u>	<u>\$ 2,574,477</u>

**MIDLAND INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2005**

Data Control Codes	202 Fund For Improvement of Education	203 Texas Statewide Tobacco Ed	204 ESEA Title IV Safe & Drug Free Schools	205 Head Start
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	7,070	-	-
5900 Federal Program Revenues	27,564	-	128,155	1,968,537
5020 Total Revenues	<u>27,564</u>	<u>7,070</u>	<u>128,155</u>	<u>1,968,537</u>
EXPENDITURES:				
Current:				
0011 Instruction	24,000	-	3,300	1,179,745
0012 Instructional Resources & Media Services	-	-	-	49,804
0013 Curriculum & Instructional Staff Development	908	-	5,975	36,878
0021 Instructional Leadership	831	-	5,965	-
0023 School Leadership	-	-	-	156,760
0031 Guidance, Counseling & Evaluation Services	-	-	112,915	83,878
0032 Social Work Services	-	-	-	-
0033 Health Services	-	-	-	118,394
0034 Student (Pupil) Transportation	-	-	-	2,500
0035 Food Services	-	-	-	-
0036 Cocurricular/Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	6,016
0051 Plant Maintenance and Operations	-	-	-	46,862
0052 Security and Monitoring Services	-	-	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	1,825	7,070	-	287,700
6030 Total Expenditures	<u>27,564</u>	<u>7,070</u>	<u>128,155</u>	<u>1,968,537</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
7080 Total Other Financing Sources (Uses)	-	-	-	-
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	213 ESEA Title I Part B Even Start	219 Bilingual Ed Professional Development	220 Bilingual Ed Prof Dev Teacher Grant	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	226 IDEA - Part B Discretionary
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
4,563,607	87,857	250,954	-	262,601	3,067,329	89,898	283
<u>4,563,607</u>	<u>87,857</u>	<u>250,954</u>	<u>-</u>	<u>262,601</u>	<u>3,067,329</u>	<u>89,898</u>	<u>283</u>
3,772,968	55,365	-	-	-	2,092,915	81,280	-
223,457	-	-	-	-	-	-	-
184,211	-	-	-	262,601	135,551	8,618	283
101,500	8,646	-	-	-	261,541	-	-
102,799	245	-	-	-	1,489	-	-
-	-	-	-	-	346,340	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	5,378	-	-
-	-	-	-	-	224,115	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
178,672	23,601	250,954	-	-	-	-	-
<u>4,563,607</u>	<u>87,857</u>	<u>250,954</u>	<u>-</u>	<u>262,601</u>	<u>3,067,329</u>	<u>89,898</u>	<u>283</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**MIDLAND INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2005**

Data Control Codes	227 IDEA - Part B Deaf	228 IDEA - Part B Preschool Deaf	242 Summer Feeding Program	244 C D Perkins Basic Grant Formula
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ 3,639	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	5,940	364	126,158	148,279
5020 Total Revenues	<u>5,940</u>	<u>364</u>	<u>129,797</u>	<u>148,279</u>
EXPENDITURES:				
Current:				
0011 Instruction	5,940	-	-	99,997
0012 Instructional Resources & Media Services	-	-	-	-
0013 Curriculum & Instructional Staff Development	-	364	-	14,398
0021 Instructional Leadership	-	-	-	9,451
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling & Evaluation Services	-	-	-	24,433
0032 Social Work Services	-	-	-	-
0033 Health Services	-	-	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	21,156	-
0036 Cocurricular/Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Plant Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	-	-	-	-
6030 Total Expenditures	<u>5,940</u>	<u>364</u>	<u>21,156</u>	<u>148,279</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>108,641</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	108,641	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>268,774</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 377,415</u>	<u>\$ -</u>

255 ESEA II, A Teacher & Prin Training	256 ESEA, I Comp School Reform	257 Title I, CSR- High School Initiative	259 Library Supplement	262 Title II, D Education Technology	263 Title III Part A LEP	269 Title V, Pt.A Innovative Programs	284 Air Force Junior ROTC
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	67,802	-	-	-	-	-
1,072,264	7,028	-	-	113,608	142,258	179,285	17,571
<u>1,072,264</u>	<u>7,028</u>	<u>67,802</u>	<u>-</u>	<u>113,608</u>	<u>142,258</u>	<u>179,285</u>	<u>17,571</u>
265,879	7,028	51,728	-	27,450	80,394	167,004	17,571
-	-	-	-	-	-	2,281	-
773,844	-	11,046	-	85,051	18,290	10,000	-
14,831	-	-	-	-	43,574	-	-
17,710	-	5,028	-	1,107	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,072,264</u>	<u>7,028</u>	<u>67,802</u>	<u>-</u>	<u>113,608</u>	<u>142,258</u>	<u>179,285</u>	<u>17,571</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**MIDLAND INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2005**

Data Control Codes	286 Foreign Language Assistance	287 Teacher Supply Reimbursement	289 Title IV Community Service	386 State Deaf
REVENUES:				
5700	\$ -	\$ -	\$ -	\$ -
5800	-	30,520	-	164,026
5900	67,497	-	55,337	-
5020	<u>67,497</u>	<u>30,520</u>	<u>55,337</u>	<u>164,026</u>
EXPENDITURES:				
Current:				
0011	-	61,115	362	164,026
0012	-	-	-	-
0013	14,592	-	-	-
0021	51,085	-	-	-
0023	1,820	-	-	-
0031	-	-	54,975	-
0032	-	-	-	-
0033	-	-	-	-
0034	-	-	-	-
0035	-	-	-	-
0036	-	-	-	-
0041	-	-	-	-
0051	-	-	-	-
0052	-	-	-	-
0053	-	-	-	-
0061	-	-	-	-
6030	<u>67,497</u>	<u>61,115</u>	<u>55,337</u>	<u>164,026</u>
1100	-	(30,595)	-	-
OTHER FINANCING SOURCES (USES):				
7915	-	30,595	-	-
7080	-	30,595	-	-
1200	-	-	-	-
0100	-	-	-	-
3000	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

392 Investment Capital Fund	394 Pregnancy, Education and Parenting	396 Advanced Placement/ Testing	397 Shaken Baby	399 Investment Capital Fund	401 Optional Extended Year Program	406 Accelerated Reading Program	407 Texas Grants Expansion
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
45,412	32,241	5,896	-	33,666	88,437	349,557	16,044
-	-	-	-	-	-	-	-
<u>45,412</u>	<u>32,241</u>	<u>5,896</u>	<u>-</u>	<u>33,666</u>	<u>88,437</u>	<u>349,557</u>	<u>16,044</u>
39,094	-	1,674	-	26,426	82,989	349,557	16,044
-	-	-	-	-	-	-	-
6,318	-	4,222	-	5,941	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	2,122	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	32,241	-	-	1,299	3,326	-	-
<u>45,412</u>	<u>32,241</u>	<u>5,896</u>	<u>-</u>	<u>33,666</u>	<u>88,437</u>	<u>349,557</u>	<u>16,044</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**MIDLAND INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2005**

Data Control Codes	409 Texas High School Compl & Success	411 Technology Allotment	413 Telecom Infrastruct. Fund	415 Pre- K and Kindergarten Grant
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	118,762	552,725	-	389,460
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	<u>118,762</u>	<u>552,725</u>	<u>-</u>	<u>389,460</u>
EXPENDITURES:				
Current:				
0011 Instruction	56,881	167,573	-	388,359
0012 Instructional Resources & Media Services	934	-	-	978
0013 Curriculum & Instructional Staff Development	8,263	289,875	-	123
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling & Evaluation Services	47,843	-	-	-
0032 Social Work Services	-	-	-	-
0033 Health Services	-	-	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	-
0036 Cocurricular/Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Plant Maintenance and Operations	1,156	-	-	-
0052 Security and Monitoring Services	-	-	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	3,685	-	-	-
6030 Total Expenditures	<u>118,762</u>	<u>457,448</u>	<u>-</u>	<u>389,460</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>95,277</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	95,277	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>153,363</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ 248,640</u>	<u>\$ -</u>	<u>\$ -</u>

418 Employee Health Insurance	427 Read to Succeed	428 Advanced Placement	465 School to Career Technology	485 Music Plus Program	499 Storytelling	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 7,405	\$ -	\$ 30,207	\$ 41,251
1,256,073	50	-	-	-	-	3,157,741
-	-	-	-	-	-	12,382,374
<u>1,256,073</u>	<u>50</u>	<u>-</u>	<u>7,405</u>	<u>-</u>	<u>30,207</u>	<u>15,581,366</u>
791,012	-	-	7,405	-	-	10,085,081
22,092	50	-	-	-	-	299,596
10,008	-	-	-	-	-	1,887,360
3,542	-	-	-	-	-	500,966
38,354	-	-	-	-	-	327,434
34,245	-	-	-	-	-	704,629
1,000	-	-	-	-	-	1,000
19,031	-	-	-	-	-	142,803
59,262	-	-	-	-	-	285,877
98,304	-	-	-	-	-	119,460
11,472	-	-	-	-	39,256	50,728
17,500	-	-	-	-	-	23,516
121,657	-	-	-	-	-	169,675
9,594	-	-	-	-	-	9,594
5,958	-	-	-	-	-	5,958
13,042	-	-	-	-	-	803,415
<u>1,256,073</u>	<u>50</u>	<u>-</u>	<u>7,405</u>	<u>-</u>	<u>39,256</u>	<u>15,417,092</u>
-	-	-	-	-	(9,049)	164,274
-	-	-	-	-	14,540	45,135
-	-	-	-	-	14,540	45,135
-	-	-	-	-	5,491	209,409
-	-	-	-	-	54,682	476,819
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,173</u>	<u>\$ 686,228</u>

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FEDERAL BUREAU OF INVESTIGATION
 UNITED STATES DEPARTMENT OF JUSTICE
 FORM NO. 1 (REV. 11-27-70)

Name of Person	Address	Employer		Date of Birth
		Address	Occupation	
JOHN DOE	123 Main St	ABC Corp	Software Engineer	01/15/1980
JANE SMITH	456 Oak Ave	XYZ Inc	Marketing Manager	03/22/1975
ROBERT BROWN	789 Pine Rd	DEF LLC	Operations Director	05/10/1968
MICHAEL GARCIA	101 Elm St	GHI Corp	Product Designer	07/05/1972
SARAH JONES	202 Maple Dr	JKL Inc	Business Analyst	09/18/1978
DANIEL WILSON	303 Cedar Ln	MNO LLC	Systems Administrator	11/02/1970
OTHER SCHEDULES				
EMILY ROSS	404 Birch St	PQR Corp	Human Resources	12/14/1973
CHRISTOPHER LEE	505 Walnut Ave	STU Inc	Quality Assurance	02/28/1976
AMANDA HARRIS	606 Spruce Rd	VWX LLC	Project Manager	04/11/1979
JUSTIN KING	707 Ash Dr	YZA Corp	Operations Supervisor	06/25/1971

**MIDLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2005**

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
1996 and prior years	\$ 1.25730	\$ 0.13000	\$ 3,794,946,558
1997	1.25470	0.12900	3,697,198,378
1998	1.25470	0.19400	3,801,948,349
1999	1.39870	0.13000	4,035,783,714
2000	1.45870	0.11000	3,934,717,125
2001	1.50000	0.13900	4,000,531,777
2002	1.50000	0.11000	4,619,522,238
2003	1.50000	0.10500	4,417,432,415
2004	1.50000	0.12690	4,638,994,244
2005 (School year under audit)	1.50000	0.14250	5,006,891,801
1000 TOTALS			

(10) Beginning Balance 9/1/2004	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2005
\$ 295,624	\$ -	\$ 13,527	\$ 1,398	\$ 83,360	\$ 197,339
97,388	-	3,783	389	2,663	90,553
105,942	-	5,711	883	1,139	98,209
124,326	-	12,885	1,197	2,358	107,886
185,219	-	25,443	1,918	2,665	155,193
226,317	-	52,306	4,847	(9,355)	178,519
337,671	-	98,877	7,248	(924)	232,470
508,255	-	211,122	14,774	10,107	272,252
1,335,399	-	860,533	72,800	(130,345)	532,411
-	81,320,017	72,779,981	6,917,764	175,665	1,446,607
<u>\$ 3,216,141</u>	<u>\$ 81,320,017</u>	<u>\$ 74,064,168</u>	<u>\$ 7,023,218</u>	<u>\$ 137,333</u>	<u>\$ 3,311,439</u>

**MIDLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2006-2007
GENERAL AND SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2005**

FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION

Account Number	Account Name	1	2	3	4	5	6	7
		(702) School Board	(703) Tax Collections	(701) Supt's Office	(750) Indirect Cost	(720) Direct Cost	(other) Miscellaneous	Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 286,362	\$ 1,901,137	\$ -	\$ -	\$ 2,187,499
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	25,498	-	-	-	-	-	25,498
6212	Audit Services	-	-	-	49,428	-	-	49,428
6213	Tax Appraisal and Collection	-	987,182	-	-	-	-	987,182
621X	Other Professional Services	-	-	-	378,230	-	-	378,230
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	-	-	-	-	-
6240	Contr. Maint. and Repair	-	-	-	-	10,146	-	10,146
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	-	-	-	-
6290	Miscellaneous Contr.	23,852	-	973	161,968	-	-	186,793
6320	Textbooks and Reading	-	-	-	-	-	-	-
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	2,533	1,676	-	67,896	-	-	72,105
6410	Travel, Subsistence, Stipends	17,521	-	18,344	48,403	-	-	84,268
6420	Ins. and Bonding Costs	-	-	-	178,863	-	-	178,863
6430	Election Costs	-	-	-	-	-	-	-
6490	Miscellaneous Operating	359	-	9,754	12,959	-	-	23,072
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	\$ 69,763	\$ 988,858	\$ 315,433	\$ 2,798,884	\$ 10,146	\$ -	\$ 4,183,084

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 142,296,313

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 1,285,248
Total Debt & Lease(6500)	(11)	34,253
Plant Maintenance (Function 51, 6100-6400)	(12)	14,506,721
Food (Function 35, 6341 and 6499)	(13)	2,896,188
Stipends (6413)	(14)	-
Column 4 (above) - Total Indirect Cost		2,798,884

SubTotal:

21,521,294

Net Allowed Direct Cost

\$ 120,775,019

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 188,994,400
Historical Cost of Building over 50 years old	(16)	\$ 6,293,529
Amount of Federal Money in Building Cost (Net of #16)	(17)	\$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18)	\$ 15,863,026
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ 305,256
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ 332,393

(8) NOTE A: \$365,996 in Function 53 expenditures are included in this report on administrative costs.

**MIDLAND INDEPENDENT SCHOOL DISTRICT
FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
GENERAL FUND AS OF AUGUST 31, 2005**

UNAUDITED

1	Total General Fund Balance as of 8/31/05 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 26,950,822
2	Total Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund Only)	\$ 1,788,251	
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.)	20,931,338	
5	Estimate of one month's average cash disbursements during the regular school session (9/1/05-5/31/06).	10,747,826	
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)		<u>33,467,415</u>
11	Excess (Deficit) Undesignated Unreserved General Fund Balance (Line 1 minus Line 10)		<u>\$ (6,516,593)</u>

**MIDLAND INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
BUDGET AND ACTUAL - NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
AUGUST 31, 2005**

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	\$ 2,237,748	\$ 2,288,377	\$ 2,316,403	\$ 28,026
5800	State Program Revenues	-	-	59,931	59,931
5900	Federal Program Revenues	5,160,000	5,576,567	5,833,330	256,763
5020	Total Revenues	7,397,748	7,864,944	8,209,664	344,720
EXPENDITURES:					
0035	Food Services	7,397,748	9,660,891	7,782,500	1,878,391
6030	Total Expenditures	7,397,748	9,660,891	7,782,500	1,878,391
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(1,795,947)	427,164	2,223,111
OTHER FINANCING SOURCES (USES):					
7961	Transfers Out (Use)	-	-	(1,634,916)	(1,634,916)
7080	Total Other Financing Sources (Uses)	-	-	(1,634,916)	(1,634,916)
1200	Net Change in Fund Balances	-	(1,795,947)	(1,207,752)	588,195
0100	Fund Balance - September 1 (Beginning)	4,295,078	4,295,078	4,295,078	-
3000	Fund Balance - August 31 (Ending)	\$ 4,295,078	\$ 2,499,131	\$ 3,087,326	\$ 588,195

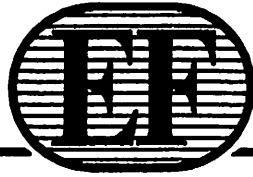
MIDLAND INDEPENDENT SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 AUGUST 31, 2005

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	\$ 7,063,741	\$ 7,241,839	\$ 7,247,964	\$ 6,125
5800 State Program Revenues	1,730,553	1,104,178	1,069,317	(34,861)
5020 Total Revenues	8,794,294	8,346,017	8,317,281	(28,736)
EXPENDITURES:				
0071 Debt Service - Principal on Long-Term Debt	3,638,875	4,563,875	4,549,997	13,878
0072 Debt Service - Interest on long-term debt	5,163,741	5,163,741	5,163,741	-
0073 Debt Service - Bond Issuance Cost and Fees	971,122	971,122	971,122	-
6030 Total Expenditures	9,773,738	10,698,738	10,684,860	13,878
1200 Net Change in Fund Balances	(979,444)	(2,352,721)	(2,367,579)	(14,858)
0100 Fund Balance - September 1 (Beginning)	3,568,431	3,568,431	3,568,431	-
3000 Fund Balance - August 31 (Ending)	\$ 2,588,987	\$ 1,215,710	\$ 1,200,852	\$ (14,858)

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ELMS, FARIS & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

**INDEPENDENT AUDITORS' 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
Midland Independent School District
615 West Missouri Avenue
Midland, Texas 79701

Members of the Board of Trustees:

We have audited the financial statements of Midland Independent School District (the "District") as of and for the year ended August 31, 2005, and have issued our report thereon dated November 18, 2005. 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 the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

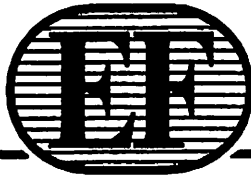
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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, including the Public Funds Investment Act, 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 for the information and use of the District's trustees, the audit committee, management, federal awarding agencies and pass-through entities, and for filing with the TEA, and is not intended to be and should not be used by anyone other than those specified parties.

Elms, Faris & Company, LLP

November 18, 2005



ELMS, FARIS & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees
Midland Independent School District
615 West Missouri Avenue
Midland, Texas 79701

Members of the Board of Trustees:

Compliance

We have audited the compliance of Midland Independent School District (the "District") with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 2005. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2005. The results of our auditing procedures disclosed no instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the District's trustees, the audit committee, management, federal awarding agencies and pass-through entities, and for filing with the TEA, and is not intended to be and should not be used by anyone other than those specified parties.

Elms, Faris & Company, LLP

November 18, 2005

**MIDLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2005**

SUMMARY OF THE AUDITORS' RESULTS	
PROGRAM	DESCRIPTION
Type of Report of Financial Statements	Unqualified opinion.
Reportable Conditions	None.
Material Weaknesses Involving Reportable Conditions	None.
Noncompliance Material to the Financial Statements	No instances of noncompliance.
Type of Report on Compliance with Major Programs	Unqualified opinion.
Findings and Questioned Costs for Federal Awards as Defined in OMB Circular A-133	No material findings or questioned costs.
Major Federal Programs	84.027 IDEA-Part B, Formula 84.027 IDEA-Part B, Capital Bldg & Improvement 84.027 IDEA-Part B, Discretionary Deaf 84.027 IDEA-Part B, Formula Deaf 84.173 IDEA-Part B, Preschool 84.173 IDEA-Part B, Preschool Deaf 84.213C ESEA Title I Part B - Even Start Literacy 10.555 National School Breakfast & Lunch Program 10.559 Summer Feeding Program
Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
Low Risk Auditee Statements	Midland Independent School District was not classified as a low-risk auditee in the context of OMB Circular A-133.
FINDINGS RELATING TO THE FINANICAL STATEMENTS REQUIRED TO BE REPORTED UNDER GAGAS	None.
FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS	None.

**MIDLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2005**

NONE

**MIDLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2004**

NONE

MIDLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2005

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF DEFENSE			
<u>Air Force Jr ROTC</u>			
Air Forcr Jr ROTC	N/A	N/A	\$ 17,571
Total Air Force Jr ROTC			\$ 17,571
TOTAL DEPARTMENT OF DEFENSE			\$ 17,571
U.S. DEPARTMENT OF EDUCATION			
<u>Direct Programs</u>			
Foreign Language Assitance	84.293B	T293B040106-05	\$ 67,497
Bilingual Ed-Prof Dev Teachers & Personnel Grant	84.195A	T195A010022-03	262,601
Fund for the Improvment of Education	84.215F	Q215F050072	27,564
Total Direct Programs			\$ 357,662
<u>Passed-Through Region XIV - ESC</u>			
Title IV, Community Service Grant	84.184C	369150112014	\$ 55,337
Total Passed-Through Region XIV - ESC			\$ 55,337
<u>Passed Through State Department of Education</u>			
ESEA, Title IV, Part A, Safe & Drug Free Schools	84.186A	05691001165901	\$ 128,155
ESEA Title I Part A	84.010A	05610101165901	4,563,607
Migrant, Title I, Part C	84.011	05615001165901	87,857
ESEA Title I Part B - Even Start Family Literacy	84.213C	056120017110162	250,954
IDEA - Part B, Formula	84.027	05660011659016600	3,018,775
IDEA - Part B, Cap Bldg & Improvement	84.027	056600041659016604	48,554
IDEA - Part B, Discretionary Deaf	84.027	056600021689016673	283
IDEA - Part B, Formula Deaf	84.027	056600011659016601	5,940
Total CFDA Number 84.027			3,073,552
IDEA - Part B, Preschool	84.173	056610011659016610	89,898
IDEA - Part B, Preschool Deaf	84.173	056610011659016611	364
Total CFDA Number 84.173			90,262
ESEA, Title II, Part A Teacher & Prin. Training	84367A	05694501165901	1,072,264
Carl D Perkins Basic Grant - Career & Technology	84.048A	0542000616590118	148,279
Title I, Comp School Reform	84.332A	4616001165901116	7,028
ESEA, Title II, Part D, Enhancing Ed Through Tech	84.318X	05630001165901	113,608
Title III, Part A, LEP	84.365	05671001165901	142,258
ESEA, Title V, Part A	84.298	4685001165901	179,285
Total Passed Through State Department of Education			\$ 9,857,109
TOTAL DEPARTMENT OF EDUCATION			\$ 10,270,108
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through State Department of Education</u>			
Head Start	93.600	06CH6994-35	\$ 1,968,537
Total Passed Through State Department of Education			\$ 1,968,537
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 1,968,537

**MIDLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2005**

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
National School Breakfast & Lunch Program*	10.555	N/A	\$ 7,782,500
Summer Feeding Program	10.559	165-1002	<u>21,156</u>
Total Passed Through the State Department of Agriculture			<u>\$ 7,803,656</u>
TOTAL DEPARTMENT OF AGRICULTURE			<u>\$ 7,803,656</u>
 TOTAL EXPENDITURES OF FEDERAL AWARDS			 <u><u>\$ 20,059,872</u></u>

*Clustered Programs as required by Compliance Supplement March, 2004

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**MIDLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2005**

1. The District utilized the fund types specified in the Texas Education Agency's Financial Accountability System Resource Guide.

Special Revenue Funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund. Generally, unused balances are returned to the grantor at the close of specified project periods.

2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All federal grant funds were accounted for in the Special Revenue Fund, a component of the Governmental Fund type. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financial sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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

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

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

4. Relationship to Financial Statements

Federal financial assistance revenues are reported in the District's financial statements as follows:

100-199	General Fund	\$ 562,731
200-499	Special Revenue Funds	<u>18,215,704</u>
		<u>18,778,435</u>
	Audit Period Expenditures From the Schedule of Expenditures of Federal Awards	<u>\$20,059,872</u>

5. Relationship to Federal Financial Reports

Amounts reported in the accompanying exhibits agree with the amounts reported in the related federal financial reports.

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