

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

---

*Educating the Future!*



# **ANNUAL FINANCIAL REPORT**

**for year ended**

**August 31, 2004**

---

**OUR FUTURE IS EVEN BRIGHTER!**

MIDLAND INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2004

TABLE OF CONTENTS

<u>Exhibit</u>	<u>Page</u>
CERTIFICATE OF BOARD	1
Independent Auditors' Report	3
Management's Discussion and Analysis (Required Supplementary Information)	5
 <b>Basic Financial Statements:</b>	
<u>Government Wide Statements</u>	
A-1 Statement of Net Assets	13
B-1 Statement of Activities	14
 <u>Governmental Fund Financial Statements</u>	
C-1 Balance Sheet	16
C-2 Reconciliation for C-1	19
C-3 Statement of Revenues, Expenditures, and Changes in Fund Balance	20
C-4 Reconciliation for C-3	22
D-1 Statement of Net Assets	23
D-2 Statement of Revenues, Expenses, and Changes in Fund Net Assets	24
D-3 Statement of Cash Flows	25
 <u>Fiduciary Fund Financial Statements</u>	
E-1 Statement of Fiduciary Net Assets	26
E-2 Statement of Changes in Fiduciary Net Assets	27
Notes to the Financial Statements	29
 <u>Other Basic Financial Schedules</u>	
G-1 Budgetary Comparison Schedule-General Fund (Required Supplementary Information)	49
 <b>Combining Schedules:</b>	
<u>Nonmajor Governmental Funds</u>	
H-1 Combining Balance Sheet	50
H-2 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	58
 <b>Required TEA Schedules:</b>	
J-1 Schedule of Delinquent Taxes Receivable	68
J-2 Schedule of Expenditures for Computation of Indirect Cost	70
J-3 Fund Balance and Cash Flow Calculation Worksheet	71
J-4 Budgetary Comparison Schedule - Child Nutrition Fund	72
J-5 Budgetary Comparison Schedule - Debt Service Fund	73

TABLE OF CONTENTS (CONTINUED)

Exhibit

Page

**Federal Awards Section:**

	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	77
	Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	79
	Schedule of Findings and Questioned Costs	81
	Schedule of Status of Prior Findings	83
K-1	Schedule of Expenditures of Federal Awards	84
	Notes to Schedule of Expenditures of Federal Awards	87

## CERTIFICATE OF BOARD

Midland Independent School District  
Midland County

Co.-Dist. Number - 165901

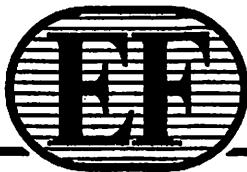
We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one)  approved  disapproved for the year ended August 31, 2004 at a meeting of the Board of Trustees of such school district on the 8th day of February, 2005.



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, 2004, 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 opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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, 2004, 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 December 17, 2004, 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 grants. The purpose of that report is to describe the scope of our testing of 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 read in conjunction with this report in considering 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 Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the 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*

December 17, 2004

## 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, 2004. 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 goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or 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 supplies and 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 \$77,287,446 to \$80,232,633. 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 \$29,286,051 at August 31, 2004. This increase in governmental net assets was mostly the result of two factors. First, the District's general fund revenues exceeded expenditures by about \$2.8 million (See Exhibit C-3). Second, the District paid bonds and other long-term debt in the amount of \$3.9 million.

**Table I**  
**Midland Independent School District**

**NET ASSETS**

	Governmental Activities 2003	Governmental Activities 2004	Difference
Current and Other Assets	84,829,228	111,160,132	26,330,904
Capital Assets	97,650,041	109,335,380	11,685,339
Total Assets	182,479,269	220,495,512	38,016,243
Long-Term Liabilities	95,191,484	119,242,827	24,051,343
Other Liabilities	10,000,339	21,020,052	11,019,713
Total Liabilities	105,191,823	140,262,879	35,071,056
Net Assets:			
Invested in Capital Assets Net of Related Debt	5,184,959	13,215,894	8,030,935
Restricted	49,211,393	37,730,688	(11,480,705)
Unrestricted	22,891,094	29,286,051	6,394,957
Total net assets	77,287,446	80,232,633	2,945,187

**Table II**  
**Midland Independent School District**

**CHANGES IN NET ASSETS**

	Governmental Activities 2003	Governmental Activities 2004	Difference
<b>Revenues:</b>			
<b>Program Revenues:</b>			
Charges for Services	3,152,692	2,999,888	(152,804)
Grants and Contributions	19,846,068	16,059,822	(3,786,246)
<b>General Revenues:</b>			
Maintenance and Operations Taxes	67,995,103	68,949,960	954,857
Debt service Taxes	4,759,819	5,577,304	817,485
State Aid - Formula Grants	45,693,094	45,917,059	223,965
Grants and Contributions not Restricted to Specific Functions	7,152,489	10,025,339	2,872,850
Investment Earnings	579,016	863,209	284,193
Miscellaneous	390,799	1,393,131	1,002,332
<b>Total Revenue</b>	<b>149,569,080</b>	<b>151,785,712</b>	<b>2,216,632</b>
<b>Expenses:</b>			
Instruction, Curriculum and Media Services	88,929,689	89,500,322	570,633
Instructional and School Leadership	9,272,153	9,472,241	200,088
Student Support Services	11,088,308	11,809,063	720,755
Child Nutrition	7,177,320	7,515,761	338,441
Cocurricular Activities	3,159,584	3,206,766	47,182
General Administration	3,783,017	3,851,707	68,690
Plant Maintenance, Security & Data Processing	15,903,761	17,330,237	1,426,476
Community Services	936,769	905,657	(31,112)
Debt Services	2,553,624	4,533,848	1,980,224
<b>Total Expenses</b>	<b>142,804,225</b>	<b>148,125,602</b>	<b>5,321,377</b>
<b>Increase in Net Assets Before Transfers and Special Items</b>	<b>6,764,855</b>	<b>3,660,110</b>	<b>(3,104,745)</b>
Transfers	-	-	-
Adjustment to Beginning Net Assets	-	(714,923)	(714,923)
Beginning Net Assets	70,522,591	77,287,446	6,764,855
Ending Net Assets	<b>77,287,446</b>	<b>80,232,633</b>	<b>2,945,187</b>

The District's total revenues increased approximately \$2.2 million, primarily due to increased tax revenues of \$1.7 million. The total cost of all programs and services increased by \$5.3 million.

## **THE DISTRICT'S FUNDS**

As the District completed the year, its governmental funds reported a combined fund balance of \$83.8 million, up \$15.2 million from 2003 (See Exhibit C-3). The increase is primarily due to new debt issued. The debt issue is discussed in more detail in the notes of the financials. 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 \$7.6 million below its optimum fund balance by 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 \$24 million reported on Exhibit G-1 differs from the General Fund's budgetary fund balance of \$22.9 million. This is principally due to cost savings and added revenues described above.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets:**

At the end of 2004, the District had \$109.3 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 \$11.6 million from last year.

### **Debt:**

At year-end, the District had \$115.7 million in bonds and notes outstanding versus \$92.3 million last year. The district paid off \$3.9 million in principal this year and issued new debt in the amount of \$26.9 million.

Other obligations include accrued vacation pay, sick leave and arbitrage rebate. 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 \$13 million from 2003. 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 3.7% down from 4.0% in the prior year. The state and national average is 5.7% and 5.6% respectively.
- According to the Midland Reporter Telegram, as of August 2004, new home construction is up 17.2% over the prior year and housing sales are up 9.9%. This is important because the location of the new residencies can affect zoning and staffing of area campuses.
- Total Refined Average Daily Attendance increased approximately 59 students from 2003.

## **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**

**THIS PAGE LEFT BLANK INTENTIONALLY**

MIDLAND INDEPENDENT SCHOOL DISTRICT  
 STATEMENT OF NET ASSETS  
 AUGUST 31, 2004

Data Control Codes	Primary Government
	Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 10,665,918
1120 Current Investments	83,476,657
1220 Property Taxes Receivable (Delinquent)	3,216,142
1230 Allowance for Uncollectible Taxes	(675,389)
1240 Due from Other Governments	11,115,666
1290 Other Receivables (net)	593,470
1300 Inventories	1,708,385
1410 Deferred Expenses	1,059,283
1510 Land	6,146,743
1520 Buildings, net	98,198,100
1530 Furniture and Equipment, net	4,896,270
1550 Leased Property Under Capital Leases, net	94,267
1000 Total Assets	220,495,512
<b>LIABILITIES</b>	
2110 Accounts Payable	10,518,087
2150 Payroll Deductions & Withholdings	1,907,679
2160 Accrued Wages Payable	7,944,268
2177 Due to Fiduciary Funds	34,671
2180 Due to Other Governments	274,348
2300 Deferred Revenues	340,999
Long Term Liabilities:	
2501 Due Within One Year	4,652,372
2502 Due in More Than One Year	114,590,455
2000 Total Liabilities	140,262,879
<b>NET ASSETS</b>	
3200 Invested in Capital Assets, Net of Related Debt	13,215,894
3840 Restricted for Food Service	3,639,269
3850 Restricted for Debt Service	3,568,431
3860 Restricted for Capital Projects	27,984,199
3890 Restricted for Other Purposes	2,538,789
3900 Unrestricted Net Assets	29,286,051
3000 Total Net Assets	\$ 80,232,633

The accompanying notes are an integral part of this statement.

**MIDLAND INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2004**

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
<b>Primary Government:</b>			
<b>GOVERNMENTAL ACTIVITIES:</b>			
11 Instruction	\$ 83,902,796	\$ 275,469	\$ 10,353,543
12 Instructional Resources & Media Services	2,617,086	-	391,225
13 Curriculum and Staff Development	2,980,440	-	1,953,433
21 Instructional Leadership	1,354,879	-	497,933
23 School Leadership	8,117,362	-	341,218
31 Guidance, Counseling & Evaluation Services	4,477,464	-	615,756
32 Social Work Services	118,604	-	1,000
33 Health Services	1,529,282	-	160,926
34 Student (Pupil) Transportation	5,683,713	-	56,014
35 Food Services	7,515,761	2,272,268	24,876
36 Cocurricular/Extracurricular Activities	3,206,766	452,151	11,279
41 General Administration	3,851,707	-	122,364
51 Plant Maintenance and Operations	15,110,234	-	193,550
52 Security and Monitoring Services	751,160	-	10,073
53 Data Processing Services	1,468,843	-	5,396
61 Community Services	905,657	-	743,772
72 Debt Service - Interest on Long Term Debt	4,462,368	-	-
73 Debt Service - Bond Issuance Cost & Fees	71,480	-	-
<b>[TP] TOTAL PRIMARY GOVERNMENT:</b>	<b>\$ 148,125,602</b>	<b>\$ 2,999,888</b>	<b>\$ 15,482,358</b>

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
PA	Prior Period Adjustment
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	
\$	837	\$	(73,272,947)
	-		(2,225,861)
	-		(1,027,007)
	-		(856,946)
	-		(7,776,144)
	-		(3,861,708)
	-		(117,604)
	-		(1,368,356)
	418,764		(5,208,935)
	139,025		(5,079,592)
	-		(2,743,336)
	-		(3,729,343)
	18,838		(14,897,846)
	-		(741,087)
	-		(1,463,447)
	-		(161,885)
	-		(4,462,368)
	-		(71,480)
<u>\$</u>	<u>577,464</u>	<u>\$</u>	<u>(129,065,892)</u>

68,949,960
5,577,304
55,942,398
863,209
1,393,131
<u>132,726,002</u>
3,660,110
77,287,446
(714,923)
<u>\$ 80,232,633</u>

MIDLAND INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2004

Data Control Codes	10 General Fund	20 Food Service Fund	50 Debt Service Fund
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 7,758,165	\$ 6,645	\$ 10,369
1120 Investments - Current	5,834,226	3,822,153	3,796,395
1220 Property Taxes - Delinquent	2,965,283	-	250,859
1230 Allowance for Uncollectible Taxes (credit)	(622,709)	-	(52,680)
1240 Due from Other Governments	9,027,245	321,077	-
1260 Due from Other Funds	4,814,291	3,652	-
1290 Other Receivables	593,470	-	-
1300 Inventories	1,052,576	655,809	-
1410 Deferred Expenditures	1,055,233	-	-
1000 Total Assets	<u>\$ 32,477,780</u>	<u>\$ 4,809,336</u>	<u>\$ 4,004,943</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
2110 Accounts Payable	\$ 1,271,505	\$ 255,226	\$ -
2150 Payroll Deductions and Withholdings Payable	1,907,679	-	-
2160 Accrued Wages Payable	3,005,414	259,032	-
2170 Due to Other Funds	71,440	-	14,507
2180 Due to Other Governments	-	-	260,575
2300 Deferred Revenues	2,133,644	-	161,430
2000 Total Liabilities	<u>\$ 8,389,682</u>	<u>\$ 514,258</u>	<u>\$ 436,512</u>
<b>Fund Balances:</b>			
<b>Reserved For:</b>			
3410 Investments in Inventory	\$ 1,052,576	\$ 655,809	\$ -
3420 Retirement of Long-Term Debt	-	-	3,568,431
3440 Outstanding Encumbrances	830,404	-	-
3450 Food Service	-	3,639,269	-
<b>Unreserved and Undesignated:</b>			
3600 Reported in the General Fund	22,205,118	-	-
3610 Reported in Special Revenue Funds	-	-	-
3620 Reported in Capital Projects Funds	-	-	-
3000 Total Fund Balances	<u>\$ 24,088,098</u>	<u>\$ 4,295,078</u>	<u>\$ 3,568,431</u>
4000 Total Liabilities and Fund Balances	<u>\$ 32,477,780</u>	<u>\$ 4,809,336</u>	<u>\$ 4,004,943</u>

The accompanying notes are an integral part of this statement.

60 Capital Projects	Other Funds	Total Governmental Funds
\$ -	\$ 2,586,640	\$ 10,361,819
60,255,241	-	73,708,015
-	-	3,216,142
-	-	(675,389)
-	1,767,344	11,115,666
-	6,305	4,824,248
-	-	593,470
-	-	1,708,385
4,050	-	1,059,283
<u>\$ 60,259,291</u>	<u>\$ 4,360,289</u>	<u>\$ 105,911,639</u>
\$ 8,776,028	\$ 207,702	\$ 10,510,461
-	-	1,907,679
-	128,806	3,393,252
69,080	3,430,283	3,585,310
-	13,773	274,348
-	102,906	2,397,980
<u>\$ 8,845,108</u>	<u>\$ 3,883,470</u>	<u>\$ 22,069,030</u>
\$ -	\$ -	\$ 1,708,385
-	-	3,568,431
-	-	830,404
-	-	3,639,269
-	-	22,205,118
-	476,819	476,819
51,414,183	-	51,414,183
<u>\$ 51,414,183</u>	<u>\$ 476,819</u>	<u>\$ 83,842,609</u>
<u>\$ 60,259,291</u>	<u>\$ 4,360,289</u>	<u>\$ 105,911,639</u>

**THIS PAGE LEFT BLANK INTENTIONALLY**

MIDLAND INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
 STATEMENT OF NET ASSETS  
 AUGUST 31, 2004

<b>Total Fund Balances - Governmental Funds</b>	\$	83,842,609
The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The net effect of this consolidation is to increase net assets.		4,240,490
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 \$155,072,790 and the accumulated depreciation was \$57,422,749. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net assets.		2,458,558
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 2004 capital outlays and debt principal payments is to decrease net assets.		(8,787,395)
The 2004 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(3,578,610)
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.		2,056,981
<b>Net Assets of Governmental Activities</b>	<b>\$</b>	<b>80,232,633</b>

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, 2004**

Data Control Codes	10 General Fund	20 Food Service Fund	50 Debt Service Fund
<b>REVENUES:</b>			
5700 Total Local and Intermediate Sources	\$ 71,298,285	\$ 2,314,151	\$ 5,728,200
5800 State Program Revenues	47,961,338	62,404	1,898,951
5900 Federal Program Revenues	769,584	5,162,822	-
5020 Total Revenues	<u>120,029,207</u>	<u>7,539,377</u>	<u>7,627,151</u>
<b>EXPENDITURES:</b>			
<b>Current:</b>			
0011 Instruction	70,929,639	-	-
0012 Instructional Resources & Media Services	2,059,449	-	-
0013 Curriculum & Instructional Staff Development	1,011,482	-	-
0021 Instructional Leadership	856,345	-	-
0023 School Leadership	7,549,490	-	-
0031 Guidance, Counseling & Evaluation Services	3,858,570	-	-
0032 Social Work Services	117,819	-	-
0033 Health Services	1,349,630	-	-
0034 Student (Pupil) Transportation	5,415,838	-	-
0035 Food Services	-	7,428,666	-
0036 Cocurricular/Extracurricular Activities	3,093,344	-	-
0041 General Administration	3,736,030	-	-
0051 Plant Maintenance and Operations	14,568,245	-	-
0052 Security and Monitoring Services	754,367	-	-
0053 Data Processing Services	1,362,939	-	-
0061 Community Services	164,586	-	-
<b>Debt Service:</b>			
0071 Debt Service - Principal on long-term debt	4,703	-	3,925,000
0072 Debt Service - Interest on long-term debt	106,238	-	4,088,959
0073 Debt Service - Bond Issuance Cost and Fees	-	-	183,250
<b>Capital Outlay:</b>			
0081 Facilities Acquisition and Construction	211,142	-	-
6030 Total Expenditures	<u>117,149,856</u>	<u>7,428,666</u>	<u>8,197,209</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,879,351</u>	<u>110,711</u>	<u>(570,058)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
7911 Capital-related Debt Issued (Regular Bonds)	-	-	291,786
7915 Transfers In	-	-	-
8949 Other (Uses)	(13,448)	-	-
7080 Total Other Financing Sources (Uses)	<u>(13,448)</u>	<u>-</u>	<u>291,786</u>
1200 Net Change in Fund Balances	2,865,903	110,711	(278,272)
0100 Fund Balance - September 1 (Beginning)	<u>21,222,195</u>	<u>4,184,367</u>	<u>3,846,703</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 24,088,098</u>	<u>\$ 4,295,078</u>	<u>\$ 3,568,431</u>

The accompanying notes are an integral part of this statement.

60 Capital Projects	Other Funds	Total Governmental Funds
\$ 411,209	\$ 65,192	\$ 79,817,037
-	3,172,321	53,095,014
-	13,127,789	19,060,195
<u>411,209</u>	<u>16,365,302</u>	<u>151,972,246</u>
-	10,354,380	81,284,019
-	391,225	2,450,674
-	1,953,433	2,964,915
-	497,933	1,354,278
-	341,218	7,890,708
-	615,756	4,474,326
-	1,000	118,819
-	160,926	1,510,556
-	474,778	5,890,616
-	163,901	7,592,567
-	59,791	3,153,135
-	122,364	3,858,394
-	193,550	14,761,795
-	10,073	764,440
-	5,396	1,368,335
-	743,772	908,358
-	-	3,929,703
-	-	4,195,197
-	-	183,250
<u>15,077,043</u>	<u>18,838</u>	<u>15,307,023</u>
<u>15,077,043</u>	<u>16,108,334</u>	<u>163,961,108</u>
<u>(14,665,834)</u>	<u>256,968</u>	<u>(11,988,862)</u>
26,912,500	-	27,204,286
-	13,448	13,448
-	-	(13,448)
<u>26,912,500</u>	<u>13,448</u>	<u>27,204,286</u>
12,246,666	270,416	15,215,424
39,167,517	206,403	68,627,185
<u>\$ 51,414,183</u>	<u>\$ 476,819</u>	<u>\$ 83,842,609</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, 2004

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	15,215,424
 The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net assets.		 282,302
 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 2004 capital outlays and debt principal payments is to decrease net assets.		 (8,072,472)
 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.		 (3,578,610)
 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 decrease net assets.		 (186,534)
 <b>Change in Net Assets of Governmental Activities</b>	 \$	 <u>3,660,110</u>

The accompanying notes are an integral part of this statement.



MIDLAND INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
AUGUST 31, 2004

	Internal Service Fund
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 304,099
Investments - Current	9,768,642
Due from Other Funds	<u>4,275</u>
Total Assets	<u>10,077,016</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	7,626
Due to Other Funds	1,277,884
Payable from Restricted Assets	<u>4,551,015</u>
Total Liabilities	<u>5,836,525</u>
<b>NET ASSETS</b>	
Unrestricted Net Assets	<u>4,240,491</u>
Total Net Assets	<u><u>\$ 4,240,491</u></u>

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, 2004

	Internal Service Fund
<b>OPERATING REVENUES:</b>	
Local and Intermediate Sources	\$ 11,847,167
Total Operating Revenues	<u>11,847,167</u>
<b>OPERATING EXPENSES:</b>	
Payroll Costs	138,196
Supplies and Materials	5,818
Other Operating Costs	<u>11,420,851</u>
Total Operating Expenses	<u>11,564,865</u>
Operating Income	282,302
Total Net Assets - September 1 (Beginning)	<u>3,958,189</u>
Total Net Assets - August 31 (Ending)	<u><u>\$ 4,240,491</u></u>

The accompanying notes are an integral part of this statement.

MIDLAND INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2004

	Internal Service Fund
<b>Cash Flow from Operating Activities:</b>	
Cash Receipts from Quasi-external Operating Activities with Other Funds	\$ 11,833,905
Cash Payments to Suppliers for Goods and Benefits	(12,172,259)
Net Cash Provided by (Used for) Operating Activities	(338,354)
Net Increase in Cash and Investments	(338,354)
Cash and Investments at the Beginning of Year	642,453
Cash and Investments at the End of the Year	\$ 304,099
 <u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by (Used For) Operating Activities:</u>	
Operating Income	\$ 282,302
 <b>Effect of Increased and Decreased in Current Assets and Liabilities</b>	
Decrease in Receivables	13,881
Increase in Investments	(1,907,688)
Increase in Accounts Payable	4,035
Increase in Due to Other Funds	250,770
Increase in Payable from Restricted Assets	1,018,346
Net Cash Used for Operating Activities	\$ (338,354)

The accompanying notes are an integral part of this statement.

MIDLAND INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
AUGUST 31, 2004

	Private Purpose Trust Funds	Employee Benefits Trust Fund	Student Activity Fund
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 56,176	\$ 23,798	\$ 498,192
Investments - Current	22,324	396,340	-
Due From Other Funds	-	61,483	-
Other Receivables	-	319,323	-
Inventories	-	-	-
Total Assets	<u>\$ 78,500</u>	<u>\$ 800,944</u>	<u>\$ 498,192</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ -	\$ 416,695	\$ 2,293
Due to Other Funds	26,592	220	-
Due to Student Groups	-	-	495,899
Due to Employees	-	-	-
Payable from Restricted Assets	51,908	384,029	-
Total Liabilities	<u>\$ 78,500</u>	<u>\$ 800,944</u>	<u>\$ 498,192</u>
<b>NET ASSETS</b>			
Unrestricted Net Assets	\$ -		
Total Net Assets	<u>\$ -</u>		

The accompanying notes are an integral part of this statement.

MIDLAND INDEPENDENT SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2004

	Private Purpose Trust Funds
<b>ADDITIONS</b>	
Local and Intermediate Sources	\$ 13,295
Total Additions	13,295
<b>DEDUCTIONS</b>	
Supplies	1,804
Other Operating Costs	10,865
Total Deductions	12,669
Change in Net Assets	(626)
Total Net Assets - September 1 (Beginning)	626
Total Net Assets - August 31 (Ending)	\$ -

The accompanying notes are an integral part of this statement.

**THIS PAGE LEFT BLANK INTENTIONALLY**

## MIDLAND INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2004

#### **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** - 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. **Food Service Fund-** The food service 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 -** 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 -** The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in the capital projects fund.

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, 2004, the District's liability for unused sick leave is \$2,453,923.
5. Capital assets include 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 in 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	\$ 6,027,013	\$ ----	\$ 6,027,013	
Buildings & Improvements	135,081,925	(47,837,953)	87,243,972	
Furniture & Equipment	13,963,853	(9,584,796)	4,379,057	
Net Change in Assets				\$ 97,650,042
Long-term Liabilities at the Beginning of Year	Beginning Payables			
Bonds Payable (w/ Accretion)	(92,354,145)			
Other Payables	(2,837,339)			
Net Change in Assets				(95,191,484)
<b>Total Adjustment to Net Assets</b>				<b>\$ 2,458,558</b>

**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:

<b>Capital Outlays &amp; Long-Term Debt:</b>	<b>Amount</b>
Additions - Furniture & Equipment	\$ (1,311,036)
Additions - Buildings & Improvements	(13,833,182)
Additions - Land	(119,730)
Compensated Absence - Reduction	(306,643)
Capital Lease Principal Payments	19,524
Bond Principal Issue net of Payments	23,410,460
Arbitrage Rebate Payable	213,079
<b>Total Adjustments to Net Asset (before prior period adj)</b>	<b>8,072,472</b>
Prior Period Adjustment	714,923
<b>Total Adjustment to Net Assets (after prior period adj)</b>	<b>\$ 8,787,395</b>

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:

<b>Reclassifications:</b>	<b>Amount</b>
Adjustments to Taxes - General levy	\$ 232,278
Adjustments to Taxes - Debt Service Levy	(45,744)
<b>Total Adjustments to Beginning Net Assets</b>	<b>\$ 186,534</b>

### **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**

The funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the **Depository Contract Law**. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At August 31, 2004, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$10,665,918 and the bank balance was \$7,215,258. The District's cash deposits at August 31, 2004 and during the year ended August 31, 2004, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

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

- a. Depository: First American Bank
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$16,483,417
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$9,325,720 and occurred on February 29, 2004
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$100,000

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

Both cash deposits held at a financial institution can be categorized according to three levels of risk. These three levels of risk are:

Category 1 - Cash or Investments that are insured, registered or held by the District or by its agent in the District's name.

Category 2 - Cash or Investments that are uninsured and unregistered held by the counter-party's trust department or agent in the District's name.

Category 3 - Uninsured and unregistered investments held by the counterparty, its trust department, or its agent, but not in the District's name.

The District had a total of \$94,142,575 cash and investments held by TexPool and it's depository bank. Based on the three levels of risk, \$94,142,575 was classified as Category 1.

The District's temporary investments at August 31, 2004, are shown below:

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>
TexPool (Investment Pool)	\$83,895,322	\$83,895,322

**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, 2004 consisted of the following individual fund balances:

	General Fund	Special Revenue	Debt Service	Capital Projects	Internal Service	Trust & Agency	Total
Due From General Fund	\$ -----	\$ 9,957	\$ -----	\$ -----	\$ -----	\$ 61,483	\$ 71,440
Due From Special Revenue Funds	3,426,008	-----	-----	-----	4,275	-----	3,430,283
Due From Debt Service Fund	14,507	-----	-----	-----	-----	-----	14,507
Due From Capital Projects Fund	69,080	-----	-----	-----	-----	-----	69,080
Due From Enterprise Funds	-----	-----	-----	-----	-----	-----	-----
Due From Internal Service Funds	1,277,884	-----	-----	-----	-----	-----	1,277,884
Due From Trust & Agency Funds	26,812	-----	-----	-----	-----	-----	26,812
<b>Total Due From</b>	<b>\$ 4,814,291</b>	<b>\$ 9,957</b>	<b>\$ -----</b>	<b>\$ -----</b>	<b>\$ 4,275</b>	<b>\$ 61,483</b>	<b>\$ 4,890,006</b>
Due To General Fund	\$ -----	\$ 3,426,008	\$ 14,507	\$ 69,080	\$ 1,277,884	\$ 26,812	\$ 4,814,291
Due To Special Revenue Funds	9,957	-----	-----	-----	-----	-----	9,957
Due To Debt Service Fund	-----	-----	-----	-----	-----	-----	-----
Due To Capital Projects Fund	-----	-----	-----	-----	-----	-----	-----
Due To Enterprise Funds	-----	-----	-----	-----	-----	-----	-----
Due To Internal Service Funds	-----	4,275	-----	-----	-----	-----	4,275
Due To Trust & Agency Funds	61,483	-----	-----	-----	-----	-----	61,483
<b>Total Due To</b>	<b>\$ 71,440</b>	<b>\$ 3,430,283</b>	<b>\$ 14,507</b>	<b>\$ 69,080</b>	<b>\$ 1,277,884</b>	<b>\$ 26,812</b>	<b>\$ 4,890,006</b>

The purpose of the interfund balances as of August 31, 2004, represents amounts transferred to special purpose funds. Campuses and Departments providing budgeted resources to help pay for the Celebration of Lights production.

Interfund transfers for the year ended August 31, 2004 consisted of the following amounts:

	Transfers Out	Transfers In
General Fund	\$ 13,448	\$ -----
Special Revenue Funds	-----	13,448
<b>Total</b>	<b>\$ 13,448</b>	<b>\$ 13,448</b>

**E. CAPITAL ASSET ACTIVITY**

Capital asset activity for the District for the year ended August 31, 2004, was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
<b>Governmental Activities:</b>				
<b>Land</b>	\$ 6,027,013	\$ 119,730	\$ —	\$ 6,146,743
<b>Buildings and Improvements</b>	135,081,925	14,008,445	(175,263)	148,915,107
<b>Furniture and Equipment</b>	13,941,173	2,522,516	(1,289,800)	15,173,889
<b>Leased Property Under Capital Leases</b>	22,680	101,000	(22,680)	101,000
<b>Totals at Historic Cost</b>	155,072,791	16,751,691	(1,487,743)	170,336,739
<b>Less Accumulated Depreciation:</b>			<b>Current Depreciation</b>	
<b>Buildings and Improvements</b>	(47,837,953)		(2,879,054)	(50,717,007)
<b>Furniture and Equipment</b>	(9,584,796)		(692,823)	(10,277,619)
<b>Leased Property Under Capital Leases</b>	-		(6,733)	(6,733)
<b>Total Accumulated Depreciation</b>	(57,422,749)		(3,578,610)	(61,001,359)
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 97,650,042</b>	<b>\$ 16,751,691</b>	<b>\$ (5,066,353)</b>	<b>\$109,335,380</b>

<b>Depreciation expense was charged to governmental functions as follows:</b>	<b>Amount</b>
<b>Instruction</b>	\$ (2,187,040)
<b>Instructional Resources and Media Services</b>	(120,771)
<b>Curriculum Development and Instructional Staff Development</b>	(13,319)
<b>Instructional Leadership</b>	(5,044)
<b>School Leadership</b>	(174,911)
<b>Guidance, Counseling and Evaluation Services</b>	(7,506)
<b>Health Services</b>	(15,492)
<b>Student (Pupil) Transportation</b>	(565,191)
<b>Food Services</b>	(54,865)
<b>Cocurricular/Extracurricular Activities</b>	(50,492)
<b>General Administration</b>	(18,438)
<b>Plant Maintenance and Operations</b>	(276,136)
<b>Security and Monitoring Service</b>	(5,361)
<b>Data Processing Services</b>	(84,044)
<b>Total Adjustment to Net Assets (See C-2 and C-4)</b>	<b>\$ (3,578,610)</b>

**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, 2004 is as follows:

Date of Issue	Series	Interest Rate	Amount of Original Issue	Amount o/s 9/1/2003	Issued	Interest Accretion	Retired Current Year	Amount o/s 8/31/2004
7/15/91	1991,1991A	5.2-6.85%	\$ 23,055,000	\$ 1,970,000	\$ ----	\$ ----	\$ 1,970,000	\$ ----
11/15/91	1991B	6-8%	4,000,000	820,000	----	----	395,000	425,000
10/15/93	1993 <sup>(1)</sup>	2.6-5.15%	24,960,000	4,596,752	----	237,563	----	4,834,315
7/2/01	1997	3.5-4.625%	6,055,000	4,785,000	----	----	1,000,000	3,785,000
4/1/99	1997A	4-5.5%	9,855,000	6,040,000	----	----	----	6,040,000
11/15/98	1998	4.75-5%	20,450,000	17,405,000	----	----	560,000	16,845,000
11/15/98	1998 <sup>(1)</sup>	4.2-4.3%	1,520,000	1,397,578	----	60,011	----	1,457,589
5/20/03	2003 <sup>(1)</sup>	2.75%	2,470,000	2,244,815	----	62,155	----	2,306,970
5/20/03	2003	4.0-5.25%	53,095,000	53,095,000	----	----	----	53,095,000
5/20/03	2004	4.28-4.51%	2,555,000	----	1,690,730	----	----	1,690,730
5/20/03	2004	5.00%	25,285,000	----	25,285,000	----	----	25,285,000
<b>Total</b>				<b>\$ 92,354,145</b>	<b>\$ 26,975,730</b>	<b>\$ 359,729</b>	<b>\$ 3,925,000</b>	<b>\$ 115,764,604</b>

(1) Capital Appreciation Bonds

Debt service requirements are as follows:

Year	Principal	Interest	Total
2005	\$ 5,125,503	\$ 5,295,457	\$ 10,420,960
2006	3,331,452	5,303,556	8,635,008
2007	4,366,945	5,098,603	9,465,548
2008	4,735,000	4,811,974	9,546,974
2009	4,860,000	4,617,150	9,477,150
Thereafter	93,345,704	46,828,413	140,174,117
<b>Total</b>	<b>\$ 115,764,604</b>	<b>\$ 71,955,153</b>	<b>\$ 187,719,757</b>

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 indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions as of August 31, 2004.

**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>
2005	\$ 13,312	\$ 21,028
2006	16,759	17,581
2007	21,098	13,242
2008	26,562	7,779
2009	18,565	1,466
Estimated Future Capital Lease Payments		\$157,392
Rental Expenditures in Fiscal Year 2004		\$14,309

**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, 2004, the District's liability for unused sick leave is \$2,453,923.

**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](http://www.trs.state.tx.us), under the TRS Publications heading.

**Funding Policy.** State law provides for fiscal years 2002 2003 and 2004 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, 2002, 2003 and 2004 were \$4,424,656, \$4,293,158, and \$5,240,420 respectively. Midland Independent School District paid additional state contributions for the years ended August 31, 2002, 2003, and 2004 in the amount of \$958,035, \$1,069,145, and \$1,453,360, 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, 2004, 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, 2004, 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</u> <u>August 31, 2003</u>	<u>Year Ended</u> <u>August 31, 2004</u>
Unpaid claims, beginning of the year	\$ 1,742,664	\$ 1,809,177
Incurred claims/changes in estimates (including IBNR'S)	7,402,315	8,781,766
Claim Payments	<u>(7,335,802)</u>	<u>(8,327,661)</u>
Unpaid claims, end of fiscal year	<u>\$ 1,809,177</u>	<u>\$ 2,263,282</u>

**K. PRIOR PERIOD ADJUSTMENT**

The accompanying government-wide financial statements have been restated to correct an error in recording arbitrage rebate liabilities. The effect of this restatement was to increase liabilities and decrease beginning net assets by \$714,923.

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

Long-term activity for the year ended August 31, 2004, was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
<b>Governmental Activities:</b>				
Bonds and Notes Payable	\$ 92,354,145	\$ 31,046,518	\$ (7,636,058)	\$ 115,764,605
Capital Leases	76,773	101,000	(81,476)	96,297
Compensated Absences	2,760,566		(306,643)	2,453,923
Arbitrage Rebate Payable	-	928,002	-	928,002
<b>Total Long-Term Liabilities</b>	<b>\$ 95,191,484</b>	<b>\$ 32,075,520</b>	<b>\$ (8,024,177)</b>	<b>\$ 119,242,827</b>

**M. DEFERRED REVENUE**

Deferred revenue at year-end consisted of the following:

	<b>General Fund</b>	<b>Special Revenue Funds</b>	<b>Debt Service Fund</b>	<b>Total</b>
Net Tax Revenue	\$ 1,895,550	\$ -----	\$ 161,430	\$ 2,056,980
Gate Receipts	209,179	-----	-----	209,179
Coaching Stipends	24,018	-----	-----	24,018
Texas Statewide Tobacco	-----	1,715	-----	1,715
ESEA-Title I, Comp School Reform	-----	10,109	-----	10,109
Library Supplement	-----	357	-----	357
Title III, Part A, LEP	-----	1,835	-----	1,835
Air Force Junior ROTC	-----	15,968	-----	15,968
Advance Placement/Testing	-----	15,478	-----	15,478
Shaken Baby	-----	372	-----	372
Kindergarten & Pre-K Grant	-----	55,326	-----	55,326
Advance Placement	-----	18	-----	18
Music Plus	-----	1,728	-----	1,728
Miscellaneous	4,897	-----	-----	4,897
<b>Total</b>	<b>\$ 2,133,644</b>	<b>\$ 102,906</b>	<b>\$ 161,430</b>	<b>\$ 2,397,980</b>

**N. 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, 2004, 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.

<b>Description</b>	<b>Amount</b>
General Fund	\$ 9,027,245
Food Service	321,077
Head Start	380,565
ESEA Title IV – Safe & Drug Free Sch	7,331
Support for Homeless Education	18,080
ESEA Title I, A- Improving Basic Prgs	91,071
ESEA Title I, C - Migratory Children	18,446
ESEA Title I, B – Even Start Family	93,508
Bilingual Ed-Prof Dev Teacher	101,007
IDEA, Part B, Formula	410,622
IDEA, Part B, Discretionary	3,492
Vocational Ed-Basic Grant	176,667
ESEA Title II, A – Principal Training	60,157
Enhancing Education Thru Technology	18,724
Title IV, Community Service	48,780
Pregnancy, Education and Parenting	22,642
Investment Capital Funds (Washington)	18,856
State Funded Optional Extended-Yr Prg	79,499
Accelerated Reading	34,959
Texas High School Completion	102,528
Technology Allotment	861
Kindergarten and Pre-K Grant	79,499
Read to Succeed	50
<b>Total</b>	<b>\$ 11,115,666</b>

## O. 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	\$67,550,158	\$ -----	5,650,802	\$ -----	\$73,200,960
Penalties, Interest and Other Tax-related Income	1,399,802	-----	-----	-----	1,399,802
Investment Income	229,953	44,308	77,398	411,209	762,868
Food Sales	-----	2,238,207	-----	-----	2,238,207
Co-curricular/Extra-curricular Student Activities	-----	-----	-----	-----	-
Other	2,118,372	96,828	-----	-----	2,215,200
<b>Total</b>	<b>\$71,298,285</b>	<b>\$ 2,379,343</b>	<b>\$ 5,728,200</b>	<b>\$ 411,209</b>	<b>\$79,817,037</b>

## P. 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, 2004.

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.

## Q. CONSTRUCTION COMMITMENTS

The District had the following construction commitments as of August 31, 2004:

Name of Project	Contract Amount	Current Yr Expenditures	Balance of Contract
Lee High Project	\$ 14,883,949	\$ 943,349	\$ 13,940,600
Midland High Project	2,235,576	2,040,865	194,711
Lee Freshman Project	9,010,275	3,880,231	5,130,044
Midland Freshman Project	305,985	21,299	284,686
Alamo Project	6,248,559	3,720,845	2,527,714
Goddard Project	2,681,849	2,556,888	124,961
<b>Total</b>	<b>\$ 35,366,193</b>	<b>\$ 13,163,477</b>	<b>\$ 22,202,716</b>

**R. 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 2003-04	\$7,690,682
b) Subtract any non-medical expenditures Life Insurance	(32,695)
c) 2003-2004 Maintenance of Effort	\$7,657,987

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).

**S. 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' contribution 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, 2004, 1,600 employees participated in the plan and the District contributed \$1,683,006.

**T. 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 it's 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, 2004, the accrued liabilities for worker's compensation self-insurance of \$2,287,733 includes estimated incurred but not reported claims.

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

Fiscal Year	Claims
1995	298
1996	326
1997	279
1998	342
1999	338
2000	139
2001	332
2002	314
2003	298
2004	58
<b>10 Year Average</b>	<b>272</b>

Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
2003	\$ 1,572,699	\$ 1,280,786	\$ 1,129,993	\$ 1,723,492
2004	1,723,492	1,389,721	825,480	2,287,733

**U. 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 2004, 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.

**V. RECENTLY ISSUED PRONOUNCEMENTS**

In March 2003, the GASB issued Statement No. 40, "Deposit and Investment Risk Disclosures." GASB Statement No. 40 establishes and modifies disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk), interest ratio risk, and foreign currency risk. This Statement also establishes and modifies disclosure requirements for deposit risks, custodial credit risk and foreign currency risk. The provisions of this statement are effective for financial statements for periods beginning after June 15, 2004.

In November 2003, the GASB issued Statement. 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 statement for periods 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.



**REQUIRED SUPPLEMENTARY INFORMATION**

**THIS PAGE LEFT BLANK INTENTIONALLY**

MIDLAND INDEPENDENT SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2004

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 69,566,470	\$ 71,213,123	\$ 71,298,285	\$ 85,162
5800	State Program Revenues	47,327,614	47,729,581	47,961,338	231,757
5900	Federal Program Revenues	390,000	680,995	769,584	88,589
5020	Total Revenues	117,284,084	119,623,699	120,029,207	405,508
<b>EXPENDITURES:</b>					
<b>Current:</b>					
0011	Instruction	69,612,882	71,032,767	70,929,639	103,128
0012	Instructional Resources & Media Services	2,083,284	2,115,963	2,059,449	56,514
0013	Curriculum & Instructional Staff Development	1,834,359	1,094,923	1,011,482	83,441
0021	Instructional Leadership	813,553	886,058	856,345	29,713
0023	School Leadership	7,490,547	7,587,626	7,549,490	38,136
0031	Guidance, Counseling & Evaluation Services	4,194,207	3,946,878	3,858,570	88,308
0032	Social Work Services	117,724	127,822	117,819	10,003
0033	Health Services	1,291,346	1,376,037	1,349,630	26,407
0034	Student (Pupil) Transportation	5,106,099	5,518,225	5,415,838	102,387
0036	Cocurricular/Extracurricular Activities	3,103,762	3,116,635	3,093,344	23,291
0041	General Administration	3,910,699	3,754,030	3,736,030	18,000
0051	Plant Maintenance and Operations	14,280,152	14,607,603	14,568,245	39,358
0052	Security and Monitoring Services	744,163	773,374	754,367	19,007
0053	Data Processing Services	1,383,358	1,384,742	1,362,939	21,803
0061	Community Services	105,661	187,337	164,586	22,751
0071	Debt Service - Principal on long-term debt	90,147	5,115	4,703	412
0072	Debt Service - Interest on long-term debt	-	116,000	106,238	9,762
0081	Facilities Acquisition and Construction	-	267,221	211,142	56,079
6030	Total Expenditures	116,161,943	117,898,356	117,149,856	748,500
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	1,122,141	1,725,343	2,879,351	1,154,008
<b>OTHER FINANCING SOURCES (USES):</b>					
8949	Other (Uses)	-	(13,448)	(13,448)	-
7080	Total Other Financing Sources (Uses)	-	(13,448)	(13,448)	-
1200	Net Change in Fund Balances	1,122,141	1,711,895	2,865,903	1,154,008
0100	Fund Balance - September 1 (Beginning)	2,122,195	21,222,195	21,222,195	-
3000	Fund Balance - August 31 (Ending)	\$ 3,244,336	\$ 22,934,090	\$ 24,088,098	\$ 1,154,008

MIDLAND INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2004

Data Control Codes	203 Texas Statewide Tobacco Ed	204 ESEA Title IV Safe & Drug Free Schools	205 Head Start	206 Support For Homeless Education	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ 3,440	\$ 7,185	\$ 1,000	\$ -
1240	Due from Other Governments	-	7,331	380,565	18,080
1260	Due from Other Funds	-	-	-	-
1000	<b>Total Assets</b>	<u>\$ 3,440</u>	<u>\$ 14,516</u>	<u>\$ 381,565</u>	<u>\$ 18,080</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
2110	Accounts Payable	\$ -	\$ -	\$ 11,528	\$ -
2160	Accrued Wages Payable	-	-	123,802	-
2170	Due to Other Funds	1,725	14,516	246,235	18,080
2180	Due to Other Governments	-	-	-	-
2300	Deferred Revenues	1,715	-	-	-
2000	<b>Total Liabilities</b>	<u>3,440</u>	<u>14,516</u>	<u>381,565</u>	<u>18,080</u>
<b>Fund Balances:</b>					
<b>Unreserved and Undesignated:</b>					
3610	Reported in Special Revenue Funds	-	-	-	-
3000	<b>Total Fund Balances</b>	-	-	-	-
4000	<b>Total Liabilities and Fund Balances</b>	<u>\$ 3,440</u>	<u>\$ 14,516</u>	<u>\$ 381,565</u>	<u>\$ 18,080</u>

380,565  
 123,802  
 -----  
 156,763

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 Proff Dev Teacher Grant	222 Learn and Serve America	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
\$ 373,481	\$ 42,195	\$ -	\$ 30,832	\$ -	\$ 696	\$ -	\$ 8,452
91,071	18,446	93,508	-	101,007	-	410,622	-
-	-	-	-	-	-	-	-
<u>\$ 464,552</u>	<u>\$ 60,641</u>	<u>\$ 93,508</u>	<u>\$ 30,832</u>	<u>\$ 101,007</u>	<u>\$ 696</u>	<u>\$ 410,622</u>	<u>\$ 8,452</u>
\$ 10,247	\$ 25	\$ 15,293	\$ -	\$ 5,619	\$ -	\$ 100,972	\$ -
-	-	-	-	-	-	-	-
454,305	60,616	78,215	23,447	95,388	27	309,650	8,452
-	-	-	7,385	-	669	-	-
-	-	-	-	-	-	-	-
<u>464,552</u>	<u>60,641</u>	<u>93,508</u>	<u>30,832</u>	<u>101,007</u>	<u>696</u>	<u>410,622</u>	<u>8,452</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 464,552</u>	<u>\$ 60,641</u>	<u>\$ 93,508</u>	<u>\$ 30,832</u>	<u>\$ 101,007</u>	<u>\$ 696</u>	<u>\$ 410,622</u>	<u>\$ 8,452</u>

MIDLAND INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2004

Data Control Codes	226	227	228	242	
	IDEA - Part B Discretionary	IDEA - Part B Deaf	IDEA - Part B Preschool Deaf	Summer Feeding Program	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ 1,711	\$ -	\$ -	\$ 268,774
1240	Due from Other Governments	3,492	-	-	-
1260	Due from Other Funds	-	107	-	-
1000	<b>Total Assets</b>	<u>\$ 5,203</u>	<u>\$ 107</u>	<u>\$ -</u>	<u>\$ 268,774</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
2110	Accounts Payable	\$ 115	\$ 107	\$ -	\$ -
2160	Accrued Wages Payable	-	-	-	-
2170	Due to Other Funds	5,088	-	-	-
2180	Due to Other Governments	-	-	-	-
2300	Deferred Revenues	-	-	-	-
2000	<b>Total Liabilities</b>	<u>5,203</u>	<u>107</u>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>					
<b>Unreserved and Undesignated:</b>					
3610	Reported in Special Revenue Funds	-	-	-	268,774
3000	<b>Total Fund Balances</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>268,774</u>
4000	<b>Total Liabilities and Fund Balances</b>	<u>\$ 5,203</u>	<u>\$ 107</u>	<u>\$ -</u>	<u>\$ 268,774</u>

244 Vocational Ed Basic Grant	255 ESEA II,A Teacher & Prin Training	256 ESEA, I Comp School Reform	259 Library Supplement	262 Enhancing Education - Technology	263 Title III, Part A LEP	269 Title V, Pt.A Innovative Programs	282 Magnet Schools Assistance
\$ 27,350	\$ 629,364	\$ 27,728	\$ 453	\$ 9,042	\$ 65,795	\$ 1,972	\$ 59,129
176,667	60,157	-	-	18,724	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 204,017</u>	<u>\$ 689,521</u>	<u>\$ 27,728</u>	<u>\$ 453</u>	<u>\$ 27,766</u>	<u>\$ 65,795</u>	<u>\$ 1,972</u>	<u>\$ 59,129</u>
\$ 8,117	\$ 4,263	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
195,900	685,258	17,619	96	27,766	63,960	1,972	58,385
-	-	-	-	-	-	-	744
-	-	10,109	357	-	1,835	-	-
<u>204,017</u>	<u>689,521</u>	<u>27,728</u>	<u>453</u>	<u>27,766</u>	<u>65,795</u>	<u>1,972</u>	<u>59,129</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 204,017</u>	<u>\$ 689,521</u>	<u>\$ 27,728</u>	<u>\$ 453</u>	<u>\$ 27,766</u>	<u>\$ 65,795</u>	<u>\$ 1,972</u>	<u>\$ 59,129</u>

MIDLAND INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2004

Data Control Codes	284 Air Force Junior ROTC	289 Title IV Community Service	386 State Deaf	392 Investment Capital Funds	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ 29,658	\$ 26,673	\$ 61,038	\$ 44,529
1240	Due from Other Governments	-	48,780	-	-
1260	Due from Other Funds	-	-	-	-
1000	<b>Total Assets</b>	<u>\$ 29,658</u>	<u>\$ 75,453</u>	<u>\$ 61,038</u>	<u>\$ 44,529</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
2110	Accounts Payable	\$ 96	\$ 5,348	\$ -	\$ -
2160	Accrued Wages Payable	-	5,004	-	-
2170	Due to Other Funds	13,594	65,101	61,038	44,529
2180	Due to Other Governments	-	-	-	-
2300	Deferred Revenues	15,968	-	-	-
2000	<b>Total Liabilities</b>	<u>29,658</u>	<u>75,453</u>	<u>61,038</u>	<u>44,529</u>
<b>Fund Balances:</b>					
<b>Unreserved and Undesignated:</b>					
3610	Reported in Special Revenue Funds	-	-	-	-
3000	<b>Total Fund Balances</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	<b>Total Liabilities and Fund Balances</b>	<u>\$ 29,658</u>	<u>\$ 75,453</u>	<u>\$ 61,038</u>	<u>\$ 44,529</u>



394 Pregnancy, Education and Parenting	395 Comp Development Guidance	396 Advanced Placement Testing	397 Shaken Baby	399 Investment Capital Funds	401 Optional Extended Year Program	406 Accelerated Reading Program	409 Texas High School Compl & Success
\$ 19,292	\$ 25,901	\$ 9,426	\$ 372	\$ 50,329	\$ -	\$ 209,925	\$ -
22,642	-	-	-	18,856	79,499	34,959	102,528
-	-	6,052	-	-	-	-	-
<u>\$ 41,934</u>	<u>\$ 25,901</u>	<u>\$ 15,478</u>	<u>\$ 372</u>	<u>\$ 69,185</u>	<u>\$ 79,499</u>	<u>\$ 244,884</u>	<u>\$ 102,528</u>
\$ 1,941	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
39,993	25,901	-	-	69,185	79,499	244,884	102,528
-	-	-	-	-	-	-	-
-	-	15,478	372	-	-	-	-
<u>41,934</u>	<u>25,901</u>	<u>15,478</u>	<u>372</u>	<u>69,185</u>	<u>79,499</u>	<u>244,884</u>	<u>102,528</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 41,934</u>	<u>\$ 25,901</u>	<u>\$ 15,478</u>	<u>\$ 372</u>	<u>\$ 69,185</u>	<u>\$ 79,499</u>	<u>\$ 244,884</u>	<u>\$ 102,528</u>

**MIDLAND INDEPENDENT SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
AUGUST 31, 2004**

Data Control Codes	410 Reading Initiative	411 Technology Allotment	413 Telecom Infrastruct. Fund	415 Kindergarten and Pre-K Grants	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ 53,918	\$ 159,437	\$ 210,257	\$ 60,246
1240	Due from Other Governments	-	861	-	79,499
1260	Due from Other Funds	-	-	-	-
1000	<b>Total Assets</b>	<u>\$ 53,918</u>	<u>\$ 160,298</u>	<u>\$ 210,257</u>	<u>\$ 139,745</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
2110	Accounts Payable	\$ -	\$ 5,115	\$ -	\$ 38,902
2160	Accrued Wages Payable	-	-	-	-
2170	Due to Other Funds	53,918	1,820	210,257	45,517
2180	Due to Other Governments	-	-	-	-
2300	Deferred Revenues	-	-	-	55,326
2000	<b>Total Liabilities</b>	<u>53,918</u>	<u>6,935</u>	<u>210,257</u>	<u>139,745</u>
<b>Fund Balances:</b>					
<b>Unreserved and Undesignated:</b>					
3610	Reported in Special Revenue Funds	-	153,363	-	-
3000	<b>Total Fund Balances</b>	<u>-</u>	<u>153,363</u>	<u>-</u>	<u>-</u>
4000	<b>Total Liabilities and Fund Balances</b>	<u>\$ 53,918</u>	<u>\$ 160,298</u>	<u>\$ 210,257</u>	<u>\$ 139,745</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
\$ 4,843	\$ 256	\$ 18	\$ -	\$ 3,240	\$ 58,683	\$ 2,586,640
-	50	-	-	-	-	1,767,344
132	-	-	14	-	-	6,305
<u>\$ 4,975</u>	<u>\$ 306</u>	<u>\$ 18</u>	<u>\$ 14</u>	<u>\$ 3,240</u>	<u>\$ 58,683</u>	<u>\$ 4,360,289</u>
\$ -	\$ -	\$ -	\$ 14	\$ -	\$ -	\$ 207,702
-	-	-	-	-	-	128,806
-	306	-	-	1,512	4,001	3,430,283
4,975	-	-	-	-	-	13,773
-	-	18	-	1,728	-	102,906
<u>4,975</u>	<u>306</u>	<u>18</u>	<u>14</u>	<u>3,240</u>	<u>4,001</u>	<u>3,883,470</u>
-	-	-	-	-	54,682	476,819
-	-	-	-	-	54,682	476,819
<u>\$ 4,975</u>	<u>\$ 306</u>	<u>\$ 18</u>	<u>\$ 14</u>	<u>\$ 3,240</u>	<u>\$ 58,683</u>	<u>\$ 4,360,289</u>

**MIDLAND INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2004**

Data Control Codes	203 Texas Statewide Tobacco Ed	204 ESEA Title IV Safe & Drug Free Schools	205 Head Start	206 Support For Homeless Education
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	5,285	-	-	-
5900 Federal Program Revenues	-	135,724	2,274,789	17,788
5020 Total Revenues	<u>5,285</u>	<u>135,724</u>	<u>2,274,789</u>	<u>17,788</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
0011 Instruction	-	3,286	1,184,240	-
0012 Instructional Resources & Media Services	-	-	50,088	-
0013 Curriculum & Instructional Staff Development	-	7,077	37,313	-
0021 Instructional Leadership	-	-	-	16,000
0023 School Leadership	-	-	183,573	-
0031 Guidance, Counseling & Evaluation Services	-	125,361	76,410	-
0032 Social Work Services	-	-	-	-
0033 Health Services	-	-	138,349	-
0034 Student (Pupil) Transportation	-	-	212,821	-
0035 Food Services	-	-	-	-
0036 Cocurricular/Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	11,476	-
0051 Plant Maintenance and Operations	-	-	72,566	-
0052 Security and Monitoring Services	-	-	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	5,285	-	307,953	1,788
<b>Capital Outlay:</b>				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	<u>5,285</u>	<u>135,724</u>	<u>2,274,789</u>	<u>17,788</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
<b>OTHER FINANCING SOURCES (USES):</b>				
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 Proff Dev Teacher Grant	222 Learn and Serve America	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
4,173,622	70,784	105,659	133,412	251,804	-	2,474,650	82,463
<u>4,173,622</u>	<u>70,784</u>	<u>105,659</u>	<u>133,412</u>	<u>251,804</u>	<u>-</u>	<u>2,474,650</u>	<u>82,463</u>
3,436,526	42,454	-	-	-	-	1,673,258	82,463
227,764	-	-	-	-	-	-	-
156,857	1,391	-	133,412	251,804	-	40,025	-
107,889	4,471	-	-	-	-	247,288	-
45,958	-	-	-	-	-	-	-
-	-	-	-	-	-	283,173	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	3,264	-
-	-	-	-	-	-	208,764	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
198,628	22,468	105,659	-	-	-	40	-
-	-	-	-	-	-	18,838	-
<u>4,173,622</u>	<u>70,784</u>	<u>105,659</u>	<u>133,412</u>	<u>251,804</u>	<u>-</u>	<u>2,474,650</u>	<u>82,463</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, 2004**

Data Control Codes	226 IDEA - Part B Discretionary	227 IDEA - Part B Deaf	228 IDEA - Part B Preschool Deaf	242 Summer Feeding Program
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 3,800
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	4,871	10,341	1,947	165,733
5020 Total Revenues	<u>4,871</u>	<u>10,341</u>	<u>1,947</u>	<u>169,533</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
0011 Instruction	1,775	9,165	1,947	-
0012 Instructional Resources & Media Services	-	-	-	-
0013 Curriculum & Instructional Staff Development	2,512	1,176	-	-
0021 Instructional Leadership	584	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling & Evaluation Services	-	-	-	-
0032 Social Work Services	-	-	-	-
0033 Health Services	-	-	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	58,722
0036 Cocurricular/Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Plant Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	-	-	-	-
<b>Capital Outlay:</b>				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	<u>4,871</u>	<u>10,341</u>	<u>1,947</u>	<u>58,722</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	110,811
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	-	-	-
7080 Total Other Financing Sources (Uses)	-	-	-	-
1200 Net Change in Fund Balance	-	-	-	110,811
0100 Fund Balance - September 1 (Beginning)	-	-	-	157,963
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 268,774</u>

244 Vocational Ed Basic Grant	255 ESEA II,A Teacher & Prin Training	256 ESEA, I Comp School Reform	259 Library Supplement	262 Enhancing Education - Technology	263 Title III, Part A LEP	269 Title V, Pt.A Innovative Programs	282 Magnet Schools Assistance
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
249,621	1,350,108	133,857	-	148,731	178,163	133,521	963,499
<u>249,621</u>	<u>1,350,108</u>	<u>133,857</u>	<u>-</u>	<u>148,731</u>	<u>178,163</u>	<u>133,521</u>	<u>963,499</u>
206,199	450,189	95,134	-	10,836	90,239	98,784	797,541
-	-	-	-	-	-	12,045	69,390
15,067	836,538	34,552	-	117,524	11,932	5,000	18,004
9,963	1,686	-	-	-	75,992	-	-
-	-	4,171	-	8,964	-	17,692	38,770
18,392	10,233	-	-	-	-	-	9,349
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	51,462	-	-	11,407	-	-	30,445
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>249,621</u>	<u>1,350,108</u>	<u>133,857</u>	<u>-</u>	<u>148,731</u>	<u>178,163</u>	<u>133,521</u>	<u>963,499</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, 2004**

Data Control Codes	284 Air Force Junior ROTC	289 Title IV Community Service	386 State Deaf	392 Investment Capital Funds
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	200,851	-
5900 Federal Program Revenues	16,575	48,562	-	-
5020 Total Revenues	<u>16,575</u>	<u>48,562</u>	<u>200,851</u>	<u>-</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	16,575	320	200,851	-
0012 Instructional Resources & Media Services	-	-	-	-
0013 Curriculum & Instructional Staff Development	-	-	-	-
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling & Evaluation Services	-	48,242	-	-
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	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	<u>16,575</u>	<u>48,562</u>	<u>200,851</u>	<u>-</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
<b>OTHER FINANCING SOURCES (USES):</b>				
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>



394 Pregnancy, Education and Parenting	395 Comp Development Guidance	396 Advanced Placement Testing	397 Shaken Baby	399 Investment Capital Funds	401 Optional Extended Year Program	406 Accelerated Reading Program	409 Texas High School Compl & Success
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
89,703	-	7,386	-	39,555	79,499	349,549	102,528
-	-	-	-	-	-	-	-
<u>89,703</u>	<u>-</u>	<u>7,386</u>	<u>-</u>	<u>39,555</u>	<u>79,499</u>	<u>349,549</u>	<u>102,528</u>
-	-	1,105	-	24,795	77,262	318,989	94,156
-	-	-	-	-	-	-	-
-	-	6,281	-	13,156	-	-	-
-	-	-	-	-	-	30,560	-
-	-	-	-	689	2,237	-	-
-	-	-	-	-	-	-	8,164
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	208
-	-	-	-	-	-	-	-
89,703	-	-	-	915	-	-	-
-	-	-	-	-	-	-	-
<u>89,703</u>	<u>-</u>	<u>7,386</u>	<u>-</u>	<u>39,555</u>	<u>79,499</u>	<u>349,549</u>	<u>102,528</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, 2004**

Data Control Codes	410	411	413 Telecom Infrastruct. Fund	415 Kindergarten and Pre-K Grants
	Reading Initiative	Technology Allotment		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	247	565,928	1,802	462,370
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	<u>247</u>	<u>565,928</u>	<u>1,802</u>	<u>462,370</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
0011 Instruction	247	179,214	1,802	453,701
0012 Instructional Resources & Media Services	-	-	-	8,669
0013 Curriculum & Instructional Staff Development	-	253,437	-	-
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling & Evaluation Services	-	-	-	-
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	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	-	-	-	-
<b>Capital Outlay:</b>				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	<u>247</u>	<u>432,651</u>	<u>1,802</u>	<u>462,370</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	133,277	-	-
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	-	-	-
7080 Total Other Financing Sources (Uses)	-	-	-	-
1200 Net Change in Fund Balance	-	133,277	-	-
0100 Fund Balance - September 1 (Beginning)	-	20,086	-	-
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ 153,363</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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 61,392	\$ 65,192
1,267,337	281	-	-	-	-	3,172,321
-	-	-	1,565	-	-	13,127,789
<u>1,267,337</u>	<u>281</u>	<u>-</u>	<u>1,565</u>	<u>-</u>	<u>61,392</u>	<u>16,365,302</u>
799,762	-	-	1,565	-	-	10,354,380
22,988	281	-	-	-	-	391,225
10,375	-	-	-	-	-	1,953,433
3,500	-	-	-	-	-	497,933
39,164	-	-	-	-	-	341,218
36,432	-	-	-	-	-	615,756
1,000	-	-	-	-	-	1,000
19,313	-	-	-	-	-	160,926
53,193	-	-	-	-	-	474,778
105,179	-	-	-	-	-	163,901
11,279	-	-	-	-	48,512	59,791
17,574	-	-	-	-	-	122,364
120,984	-	-	-	-	-	193,550
9,865	-	-	-	-	-	10,073
5,396	-	-	-	-	-	5,396
11,333	-	-	-	-	-	743,772
-	-	-	-	-	-	18,838
<u>1,267,337</u>	<u>281</u>	<u>-</u>	<u>1,565</u>	<u>-</u>	<u>48,512</u>	<u>16,108,334</u>
-	-	-	-	-	12,880	256,968
-	-	-	-	-	13,448	13,448
-	-	-	-	-	13,448	13,448
-	-	-	-	-	26,328	270,416
-	-	-	-	-	28,354	206,403
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,682</u>	<u>\$ 476,819</u>

**THIS PAGE LEFT BLANK INTENTIONALLY**

STATE OF TEXAS  
 COUNTY OF [ ]  
 PROBATE COURT

Name of Debtor	Case No.	Amount	Date
[Name]	[Case No.]	[Amount]	[Date]
[Name]	[Case No.]	[Amount]	[Date]
[Name]	[Case No.]	[Amount]	[Date]
[Name]	[Case No.]	[Amount]	[Date]
[Name]	[Case No.]	[Amount]	[Date]
[Name]	[Case No.]	[Amount]	[Date]
[Name]	[Case No.]	[Amount]	[Date]
[Name]	[Case No.]	[Amount]	[Date]
[Name]	[Case No.]	[Amount]	[Date]
[Name]	[Case No.]	[Amount]	[Date]
[Name]	[Case No.]	[Amount]	[Date]
[Name]	[Case No.]	[Amount]	[Date]
[Name]	[Case No.]	[Amount]	[Date]
[Name]	[Case No.]	[Amount]	[Date]
[Name]	[Case No.]	[Amount]	[Date]

**OTHER SCHEDULES**

**MIDLAND INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED AUGUST 31, 2004**

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
1995 and prior years	\$ 1.25370	\$ 0.13360	\$ 3,649,508,013
1996	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 (School year under audit)	1.50000	0.12690	4,638,994,244
1000 TOTALS			

(10) Beginning Balance 9/1/2003	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2004
\$ 292,197	\$ -	\$ 11,547	\$ 1,230	\$ 83,320	\$ 196,100
106,055	-	4,671	483	1,377	99,524
105,447	-	5,764	481	1,814	97,388
126,491	-	13,396	2,071	5,082	105,942
163,631	-	35,652	3,312	341	124,326
262,069	-	75,565	5,697	(4,412)	185,219
354,839	-	126,273	11,700	(9,451)	226,317
640,624	-	258,755	18,969	25,229	337,671
1,452,752	-	780,766	54,635	109,096	508,255
-	73,748,712	66,236,369	6,137,286	39,658	1,335,399
<u>\$ 3,504,105</u>	<u>\$ 73,748,712</u>	<u>\$ 67,548,758</u>	<u>\$ 6,235,864</u>	<u>\$ 252,054</u>	<u>\$ 3,216,141</u>

**MIDLAND INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2005-2006**  
**GENERAL AND SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED AUGUST 31, 2004**

**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	\$ -	\$ -	\$ 267,607	\$ 1,968,459	\$ -	\$ -	\$ 2,236,066
6149	Leave for Separating Employees in Fn 41 & 53	-	-	11,189	35,778	-	-	46,967
6149	Leave - Separating Employees not in 41 & 53	-	-	-	1,985	-	-	1,985
6211	Legal Services	33,976	-	-	-	-	-	33,976
6212	Audit Services	-	-	-	46,393	-	-	46,393
6213	Tax Appraisal and Collection	-	938,111	-	-	-	-	938,111
621X	Other Professional Services	-	-	-	371,695	-	-	371,695
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	-	4,677	-	-	4,677
6240	Contr. Maint. and Repair	-	-	-	-	7,814	-	7,814
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	-	-	-	-
6290	Miscellaneous Contr.	22,076	-	361	143,926	-	-	166,363
6320	Textbooks and Reading	-	-	-	-	-	-	-
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	2,880	2,396	-	92,773	-	-	98,049
6410	Travel, Subsistence, Stipends	17,205	-	16,948	57,641	-	-	91,794
6420	Ins. and Bonding Costs	-	-	-	143,666	-	-	143,666
6430	Election Costs	4,497	-	-	-	-	-	4,497
6490	Miscellaneous Operating	725	-	18,772	12,014	-	-	31,511
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	29,837	-	-	29,837
6000	TOTAL	\$ 81,359	\$ 940,507	\$ 314,877	\$ 2,908,844	\$ 7,814	\$ -	\$ 4,253,401

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 140,686,856  
 LESS: Deductions of Unallowable Costs

## FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 1,642,961
Total Debt & Lease(6500)	(11)	110,941
Plant Maintenance (Function 51, 6100-6400)	(12)	14,517,594
Food (Function 35, 6341 and 6499)	(13)	2,821,062
Stipends (6413)	(14)	-
Column 4 (above) - Total Indirect Cost		2,908,844

SubTotal:

22,001,402

Net Allowed Direct Cost

\$ 118,685,454

## CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 134,186,866
Historical Cost of Building over 50 years old	(16)	\$ 6,135,706
Amount of Federal Money in Building Cost (Net of #16)	(17)	\$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18)	\$ 14,248,267
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ 347,707
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ 34,982

(8) NOTE A:

\$1,461 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, 2004

**UNAUDITED**

1	Total General Fund Balance as of 8/31/04 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 24,088,098
2	Total Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund Only)	\$ 1,882,980	
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.)	19,452,253	
5	Estimate of one month's average cash disbursements during the regular school session (9/1/04-5/31/05).	10,419,176	
6	Estimate of delayed payments from state sources (58xx) including August payment delays	6,068,327	
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>37,822,736</u>
11	Excess (Deficit) Undesignated Unreserved General Fund Balance (Line 1 minus Line 10)		<u>\$ (13,734,638)</u>

**MIDLAND INDEPENDENT SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
AUGUST 31, 2004**

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 2,149,609	\$ 2,290,358	\$ 2,314,151	\$ 23,793
5800 State Program Revenues	-	-	62,404	62,404
5900 Federal Program Revenues	4,860,000	5,219,251	5,162,822	(56,429)
5020 Total Revenues	<u>7,009,609</u>	<u>7,509,609</u>	<u>7,539,377</u>	<u>29,768</u>
<b>EXPENDITURES:</b>				
0035 Food Services	<u>7,009,609</u>	<u>7,509,609</u>	<u>7,428,666</u>	<u>80,943</u>
6030 Total Expenditures	<u>7,009,609</u>	<u>7,509,609</u>	<u>7,428,666</u>	<u>80,943</u>
1200 Net Change in Fund Balances	-	-	110,711	110,711
0100 Fund Balance - September 1 (Beginning)	<u>4,184,367</u>	<u>4,184,367</u>	<u>4,184,367</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 4,184,367</u>	<u>\$ 4,184,367</u>	<u>\$ 4,295,078</u>	<u>\$ 110,711</u>

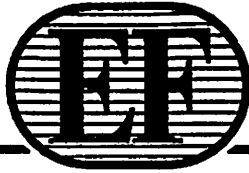
MIDLAND INDEPENDENT SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
BUDGET AND ACTUAL - DEBT SERVICE FUND  
AUGUST 31, 2004

Data Control Codes	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive or (Negative)	
	Original	Final			
	<b>REVENUES:</b>				
5700	Total Local and Intermediate Sources	\$ 5,835,111	\$ 5,874,036	\$ 5,728,200	\$ (145,836)
5800	State Program Revenues	2,238,848	1,954,061	1,898,951	(55,110)
5020	<b>Total Revenues</b>	<b>8,073,959</b>	<b>7,828,097</b>	<b>7,627,151</b>	<b>(200,946)</b>
<b>EXPENDITURES:</b>					
0071	Debt Service - Principal on long-term debt	8,073,959	3,925,000	3,925,000	-
0072	Debt Service - Interest on long-term debt	-	4,088,959	4,088,959	-
0073	Debt Service - Bond Issuance Cost and Fees	-	352,000	183,250	168,750
6030	<b>Total Expenditures</b>	<b>8,073,959</b>	<b>8,365,959</b>	<b>8,197,209</b>	<b>168,750</b>
1100	<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>-</b>	<b>(537,862)</b>	<b>(570,058)</b>	<b>(32,196)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
7911	Capital-related Debt Issued (Regular Bonds)	-	-	291,786	291,786
7080	<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>291,786</b>	<b>291,786</b>
1200	<b>Net Change in Fund Balances</b>	<b>-</b>	<b>(537,862)</b>	<b>(278,272)</b>	<b>259,590</b>
0100	<b>Fund Balance - September 1 (Beginning)</b>	<b>3,846,703</b>	<b>3,846,703</b>	<b>3,846,703</b>	<b>-</b>
3000	<b>Fund Balance - August 31 (Ending)</b>	<b>\$ 3,846,703</b>	<b>\$ 3,308,841</b>	<b>\$ 3,568,431</b>	<b>\$ 259,590</b>

**THIS PAGE LEFT BLANK INTENTIONALLY**

**FEDERAL AWARDS SECTIONS**

**THIS PAGE LEFT BLANK INTENTIONALLY**



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

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

Board of Trustees  
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, 2004, and have issued our report thereon dated December 17, 2004. 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 assurance 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

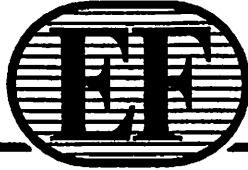
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, including the Public Funds Investment Act, noncompliance with which could 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*

December 17, 2004





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

**INDEPENDENT AUDITOR'S 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, 2004. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. 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, 2004. 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*

December 17, 2004

**MIDLAND INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED AUGUST 31, 2004**

<b>SUMMARY OF THE AUDITORS' RESULTS</b>	
<b>PROGRAM</b>	<b>DESCRIPTION</b>
Type of Report of Financial Statements	Unqualified opinion.
Reportable Condition	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	84.195A Bilingual Ed – Prof Dev Teacher Grant 84.195B Bilingual Ed – Prof Dev 84.010A ESEA Title I, Part A – Improving Basic Programs 84.318X Enhancing Education Through Technology 84.365 Title III, Part A – LEP 84.365 Title III, Part A – LEP Immigrant 10.555 National School Breakfast & Lunch Program 10.559 Summer Feeding Program
	\$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.
<b>FINDINGS RELATING TO THE FINANICAL STATEMENTS REQUIRED TO BE REPORTED UNDER GAGAS</b>	None
<b>FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>	None

**MIDLAND INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2004**

NONE

**MIDLAND INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2003**

NONE

**MIDLAND INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2004**

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b><u>U.S. DEPARTMENT OF DEFENSE</u></b>			
<b><u>Air Force Jr ROTC</u></b>			
Air Force Jr ROTC	N/A	N/A	\$ 16,575 ✓
Total Air Force Jr ROTC			<u>16,575</u>
			16,575
<b><u>TOTAL DEPARTMENT OF DEFENSE</u></b>			
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
<b><u>Direct Programs</u></b>			
Magnet Schools Assistance	84.165A	S165A010077-03	963,499 ✓
Total Direct Programs			<u>963,499</u>
<b><u>Passed Through Region X ESC</u></b>			
Title IV Community Service Grant	84.196	S44015	17,788 ✓
Total Passed Through Region X ESC			<u>17,788</u>
<b><u>Passed Through Region XIV ESC</u></b>			
Support for Homeless Education	84.184C	369150112014	48,562 ✓
Total Passed Through Region XIV ESC			<u>48,562</u>
<b><u>Passed Through State Department of Education</u></b>			
Bilingual Ed - Prof Dev Teacher Grant	84.195A	T195A010022-03	251,804 ✓
ESEA Title I Part A - Improving Basic Programs	84.010A	4610101165901	4,173,622 ✓
ESEA Title I Comprehensive School Reform	84.332A	4616001165901116	133,857 ✓
ESEA Title I Part C - Migratory Children	84.011	4615001165901	70,784 ✓
IDEA - B, Formula Deaf	84.027	466000116590144	2,400,488 ✓
IDEA - B, Cap. Bldg. & Improvement	84.027	466000416590144	74,162 ✓
IDEA - Part B, Discretionary	84.027	466000216590144	4,871 ✓
IDEA - B, Formula Deaf	84.027	466000116590144	9,165 ✓
IDEA - B Cap. Bldg. & Improvement Deaf	84.027	466000416590144	1,176 ✓
Total CFDA Number 84.027			<u>2,489,862</u>
Vocational Education - Basic Grant	84.048A	442000616590118	249,621 ✓
Permian Basin Tech Prep	84.048A	n/a	1,565 ✓
Total CFDA Number 84.048A			<u>251,186</u>
IDEA - Part B, Preschool	84.173	466100116590144	82,463 ✓
IDEA - Part B, Preschool Deaf	84.173	466100116590144	1,947 ✓
Total CFDA Number 84.173			<u>84,410</u>
ESEA Title IV - Safe and Drug-Free Schools	84.186A	4691001165901	135,724 ✓
Bilingual Ed-Proff Development	84.195B	T195B000076-02	133,412 ✓
ESEA Title I Part B - Even Start Family Literacy	84.213C	4612002711180016	105,659 ✓
Title V, Part A - Innovative Programs	84.298	4685001165901	133,521 ✓
Enhancing Education Through Technology	84.318X	4630001165901	148,731 ✓
Title III, Part A - LEP	84.365	4671001165901	171,189 ✓

MIDLAND INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED AUGUST 31, 2004

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Title III, Part A - LEP Immigrant	84.365	4671001165901	\$ 6,974 ✓
Total CFDA Number 84.365			178,163
ESEA II, Part A, Teacher & Principal Training	84.367A	4694501165901	1,350,108 ✓
Total Passed Through State Department of Education			9,640,843
<b>TOTAL DEPARTMENT OF EDUCATION</b>			10,670,692
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>			
<b><u>Passed Through State Department of Education</u></b>			
Head Start	93.600	06CH6994/34	2,274,789 ✓
Total Passed Through State Department of Education			2,274,789
<b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			2,274,789
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
<b><u>Passed Through State Department of Education</u></b>			
National School Breakfast & Lunch Program*	10.555	N/A	7,428,666
Summer Feeding Program	10.559	165-1002	58,722
Total Passed Through State Department of Education			7,487,388
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			7,487,388
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 20,449,444</b>

\*Clustered Programs as required by Compliance Supplement March, 2004

**THIS PAGE LEFT BLANK INTENTIONALLY**



**MIDLAND INDEPENDENT SCHOOL DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED AUGUST 31, 2004**

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	\$ 769,584
200-499	Special Revenue Funds	<u>18,290,611</u>
		19,060,195
Add:	Due From Federal Grants	<u>1,389,249</u>
	Audit Period Expenditures From the Schedule of Expenditures of Federal Awards	<u>\$20,449,444</u>

5. Relationship to Federal Financial Reports

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

TRANSACTION INQUIRY CURRENT AND Y-T-D

CNTY-DIS: 165901  
 199-00-5742-00-000-4-00-0-00 INTEREST INCOME  
 MIDLAND ISD  
 TIME RUN: 10:31:38

DATE RUN: 10/21/05  
 FILEID: 4  
 PROGRAM : TFNS797  
 PAGE NR.: 1

BEG BAL =====>	EST. REVENUE	REAL. REVENUE	BALANCE
	0.00	0.00	0.00
GJ-000099 09-0012881416073 09/30/03		BUDGET INTEREST	
	225,000.00		
GJ-000137 09-0012961601436 09/30/03		SEPT '03 OPERATIONS INTEREST	
		2,711.34-	
GJ-000200 10-0013171411371 10/31/03		OCTOBER '03 INTEREST	
		2,495.39-	
GJ-000272 11-0013431531258 12/09/03		NOVEMBER '03 INTEREST	
		2,717.79-	
GJ-000410 12-0010131518376 01/13/04		DEC '03 INTEREST	
		4,486.13-	
GJ-000505 01-0010411536220 02/10/04		JANUARY '04 INTEREST	
		2,700.51-	
GJ-000588 02-0010700918078 03/10/04		FEB '04 INTEREST	
		3,051.41-	
GJ-000705 03-0011041309064 04/13/04		MARCH '04 INTEREST	
		3,237.40-	
GJ-000954 05-0011551138555 06/03/04		CORRECT JV840	
		2,102.77-	
GJ-001028 05-0011671616285 06/15/04		MAY 04 INTEREST	
		327.53-	
GJ-001146 06-0011961654035 07/14/04		JUNE '04 INTEREST	
		1,553.99-	
GJ-001229 07-0012241348132 07/31/04		JULY '04 INTEREST	
		4,003.88-	
GJ-001349 08-0012571005149 08/31/04		AUGUST '04 INTEREST	
		2,820.08-	
GJ-400252 09-0013001659575 10/26/04		FINAL BUDGET AMENDMENT	
	10,409.00-		
TOTALS ==>	214,591.00	32,208.22-	182,382.78