

MIDLAND INDEPENDENT SCHOOL DISTRICT

615 W. MISSOURI AVE. MIDLAND. TEXAS 79701-5017



ANNUAL FINANCIAL REPORT

For year ended

August 31, 2003

OUR FUTURE IS EVEN BRIGHTER!

MIDLAND INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2003

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CERTIFICATE OF BOARD

Midland Independent School District
Midland County

Co.-Dist. Number - 165901

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) approved disapproved for the year ended August 31, 2003 at a meeting of the Board of Trustees of such school district on the 10th day of February, 2004.



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, 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, 2003, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's administrators. Our responsibility is to express an opinion on them 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, each major fund, and the aggregate remaining fund information of Midland Independent School District as of August 31, 2003, 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.

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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2003, 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. 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.

Elms, Faris & Company, LLP

Midland, Texas
December 19, 2003

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, 2003. 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 last year. Beginning in 2003, we will present net asset measurements as required by generally accepted accounting principles. We have added 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 \$70,522,591 to \$77,287,446. 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 \$22,891,094 at August 31, 2003. This increase in governmental net assets was mostly the result of three factors. First, the District's revenues exceeded the expenditures by about \$1.8 million (See Exhibit C-3). Second, the District paid bonds and other long-term debt in the amount of \$2.1 million, refunded debt in the amount of \$16.1 million and issued new debt in the amount of \$55.3 million. Third, the District recorded depreciation, unused sick leave pay, and other expenses not recognized in the past in the amounts of \$3.8 million.

Table I
Midland Independent School District

NET ASSETS

| | Governmental Activities 2002 | Governmental Activities 2003 | Difference |
|--|------------------------------------|------------------------------------|-------------------|
| Current and other assets | 39,583,140 | 84,829,228 | 45,246,088 |
| Capital assets | 99,575,262 | 97,650,041 | (1,925,221) |
| Total assets | <u>139,158,402</u> | <u>182,479,269</u> | <u>43,320,867</u> |
| Long-term liabilities | 59,675,329 | 95,191,484 | 35,516,155 |
| Other liabilities | 8,960,482 | 10,000,339 | 1,039,857 |
| Total liabilities | <u>68,635,811</u> | <u>105,191,823</u> | <u>36,556,012</u> |
| Net Assets: | | | |
| Invested in capital assets net of related debt | 42,658,273 | 5,184,959 | (37,473,314) |
| Restricted | 7,170,760 | 49,211,393 | 42,040,633 |
| Unrestricted | 20,693,558 | 22,891,094 | 2,197,536 |
| Total net assets | <u>70,522,591</u> | <u>77,287,446</u> | <u>6,764,855</u> |

Table II
Midland Independent School District

CHANGES IN NET ASSETS

| | Governmental Activities 2002 | Governmental Activities 2003 | Difference |
|--|------------------------------------|------------------------------------|------------------|
| Revenues: | | | |
| Program Revenues: | | | |
| Charges for Services | 2,534,716 | 3,152,692 | 617,976 |
| Operating grants and contributions | 17,552,610 | 19,846,068 | 2,293,458 |
| General Revenues: | | | |
| Maintenance and operations taxes | 67,814,126 | 67,995,103 | 180,977 |
| Debt service taxes | 4,954,120 | 4,759,819 | (194,301) |
| State aid - formula grants | 48,066,528 | 45,693,094 | (2,373,434) |
| Grants and Contributions not restricted to specific functions | 4,728,107 | 7,152,489 | 2,424,382 |
| Investment Earnings | 748,042 | 579,016 | (169,026) |
| Miscellaneous | 1,208,698 | 390,799 | (817,899) |
| Total Revenue | 147,606,947 | 149,569,080 | 1,962,133 |
| Expenses: | | | |
| Instruction, curriculum and media services | 85,442,386 | 88,929,689 | 3,487,303 |
| Instructional and school leadership | 8,836,868 | 9,272,153 | 435,285 |
| Student support services | 11,055,644 | 11,088,308 | 32,664 |
| Child nutrition | 6,428,011 | 7,177,320 | 749,309 |
| Cocurricular activities | 2,853,733 | 3,159,584 | 305,851 |
| General administration | 3,446,149 | 3,783,017 | 336,868 |
| Plant maintenance, security & data processing | 15,429,443 | 15,903,761 | 474,318 |
| Community services | 784,473 | 936,769 | 152,296 |
| Debt services | 2,650,493 | 2,553,624 | (96,869) |
| Total Expenses | 136,927,200 | 142,804,225 | 5,877,025 |
| Increase in net assets before transfers and special items | 10,679,747 | 6,764,855 | (3,914,892) |
| Transfers | | | |
| Special Items | | | |
| Beginning Net Assets | 59,842,844 | 70,522,591 | 10,679,747 |
| Ending Net Assets | 70,522,591 | 77,287,446 | 6,764,855 |

The District's total revenues increased 1.3% (\$1.9 million), primarily due to increased grant revenue of \$2.3 million. The total cost of all programs and services increased by \$5.8 million.

The District took actions last year to compensate for some increases in payroll costs. The District will no longer provide a 3% matching annuity plan for employees hired after July 31, 2002. The District is also reviewing administrative positions as they become vacant to determine if they can be consolidated or eliminated.

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported a combined fund balance of \$68.6 million, up \$40 million from 2002 (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 \$1.8 million in the District's General Fund. As illustrated in Exhibit J-3, this leaves the District \$9.2 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 \$21.2 million reported on Exhibit G-1 differs from the General Fund's budgetary fund balance of \$17.3 million. This is principally due to cost savings and added revenues described above.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets:

At the end of 2003, the District had \$97.6 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 decrease of just over \$1.9 million from last year.

Debt:

At year-end, the District had \$92.3 million in bonds and notes outstanding versus \$56.7 million last year. The district paid off \$2.1 million in principal this year and issued new debt in the amount of \$55.3 million. The new debt includes \$16.1 million in refunded debt.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal-year 2003 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:

- The assessed property values decreased \$103 million from 2002. 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 even 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. While tax revenue held fairly steady this fiscal year, state formula grants decreased \$2.3 million in 2003.

- Per the Midland Chamber of Commerce, the City of Midland had an unemployment rate of 4.0% in August 2003. The state and national average is 5.8% and 6.4% respectively.
- The cost-of-living (COL) in Midland proves to be substantially lower than the national average. An annual comparative analysis is prepared by the American Chamber of Commerce Research Association (ACCRA) in which the *national* COL index value always equals 100%. Odessa/Midland ranked at 91.1, or 9.9% lower than the national average in 2003. For comparison, other COL index values were Abilene at 92.8, El Paso at 94.1, Amarillo at 93.4 and Lubbock at 90.5.
- Average daily attendance increased approximately 60 students from 2002.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

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MIDLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
AUGUST 31, 2003

| Data Control Codes | Primary Government |
|--|----------------------------|
| | Governmental Activities |
| ASSETS | |
| 1110 Cash and Cash Equivalents | \$ 12,658,150 |
| 1120 Current Investments | 61,732,500 |
| 1220 Property Taxes Receivable (Delinquent) | 3,504,105 |
| 1230 Allowance for Uncollectible Taxes | (1,152,061) |
| 1240 Due from Other Governments | 5,204,002 |
| 1267 Due from Fiduciary Funds | 22,566 |
| 1290 Other Receivables | 633,684 |
| 1300 Inventories - supplies and materials | 1,776,728 |
| 1410 Deferred Expenditures/Expenses | 74,164 |
| 1490 Other Current Assets | 375,390 |
| 1510 Land | 6,027,013 |
| 1520 Buildings, net | 87,243,971 |
| 1530 Furniture and Equipment, net | 4,356,377 |
| 1550 Leased Property Under Capital Leases, net | 22,680 |
| | 182,479,269 |
| 1000 Total Assets | |
| LIABILITIES | |
| 2110 Accounts Payable | 1,344,602 |
| 2150 Payroll Deductions & Withholdings | 2,093,343 |
| 2160 Accrued Wages Payable | 2,829,880 |
| 2177 Due to Fiduciary Funds | 61,483 |
| 2180 Due to Other Governments | 138,362 |
| 2400 Payable from Restricted Assets | 3,532,669 |
| Long Term Liabilities: | |
| 2501 Due Within One Year | 4,001,773 |
| 2502 Due in More Than One Year | 91,189,711 |
| | 105,191,823 |
| 2000 Total Liabilities | |
| NET ASSETS | |
| 3200 Invested in Capital Assets, Net of Related Debt | 5,184,959 |
| 3820 Restricted for Federal and State Programs | 3,733,214 |
| 3850 Restricted for Debt Service | 3,841,909 |
| 3860 Restricted for Capital Projects | 39,167,517 |
| 3890 Restricted for Other Purposes | 2,468,753 |
| 3900 Unrestricted Net Assets | 22,891,094 |
| | 77,287,446 |
| 3000 Total Net Assets | \$ 77,287,446 |

The accompanying notes are an integral part of this statement.

MIDLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2003

| Data Control Codes | 1 | Program Revenues | |
|---|-----------------------|-------------------------|--|
| | | 3 | 4 |
| | Expenses | Charges for Services | Operating Grants and Contributions |
| GOVERNMENTAL ACTIVITIES: | | | |
| 11 Instruction | \$ 83,168,554 | \$ 251,542 | \$ 10,316,045 |
| 12 Instructional Resources & Media Services | 2,647,934 | - | 460,385 |
| 13 Curriculum and Staff Development | 3,113,201 | - | 1,087,486 |
| 21 Instructional Leadership | 1,329,690 | - | 596,497 |
| 23 School Leadership | 7,942,463 | - | 226,057 |
| 31 Guidance, Counseling & Evaluation Services | 4,548,701 | - | 774,357 |
| 32 Social Work Services | 174,329 | - | - |
| 33 Health Services | 1,501,061 | - | 178,514 |
| 34 Student (Pupil) Transportation | 4,864,217 | - | 262,834 |
| 35 Food Services | 7,177,320 | 2,273,421 | 5,078,682 |
| 36 Cocurricular/Extracurricular Activities | 3,159,584 | 627,729 | 15,931 |
| 41 General Administration | 3,783,017 | - | 69,379 |
| 51 Plant Maintenance and Operations | 13,890,719 | - | 16,132 |
| 52 Security and Monitoring Services | 709,850 | - | 261 |
| 53 Data Processing Services | 1,303,192 | - | 2,834 |
| 61 Community Services | 936,769 | - | 760,674 |
| 72 Debt Service - Interest on Long Term Debt | 2,501,196 | - | - |
| 73 Debt Service - Bond Issuance Cost & Fees | 52,428 | - | - |
| TP TOTAL PRIMARY GOVERNMENT: | \$ 142,804,225 | \$ 3,152,692 | \$ 19,846,068 |

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

The accompanying notes are an integral part of this statement.

Net (Expense)
Revenue and
Changes in Net
Assets

| 5 | | Total |
|---------------|---|----------------------|
| Capital | | Governmental |
| Grants and | | Activities |
| Contributions | | |
| \$ | - | \$ (72,600,967) |
| | - | (2,187,549) |
| | - | (2,025,715) |
| | - | (733,193) |
| | - | (7,716,406) |
| | - | (3,774,344) |
| | - | (174,329) |
| | - | (1,322,547) |
| | - | (4,601,383) |
| | - | 174,783 |
| | - | (2,515,924) |
| | - | (3,713,638) |
| | - | (13,874,587) |
| | - | (709,589) |
| | - | (1,300,358) |
| | - | (176,095) |
| | - | (2,501,196) |
| | - | (52,428) |
| \$ | - | <u>(119,805,465)</u> |

| | |
|----------------------|------|
| 67,995,103 | |
| 4,759,819 | |
| 52,845,583 | |
| 579,016 | |
| 390,799 | - 7, |
| <u>126,570,320</u> | |
| 6,764,855 | |
| 70,522,591 | |
| <u>\$ 77,287,446</u> | |

MIDLAND INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2003

| Data Control Codes | 10 General Fund | 20 Food Service Fund | 50 Debt Service Fund |
|--|-----------------------|----------------------------|----------------------------|
| ASSETS | | | |
| 1110 Cash and Cash Equivalents | \$ 2,320,071 | \$ 900,055 | \$ 15,668 |
| 1120 Investments - Current | 14,302,821 | 3,506,628 | 3,795,864 |
| 1220 Property Taxes - Delinquent | 3,183,934 | - | 320,171 |
| 1230 Allowance for Uncollectible Taxes (credit) | (1,152,061) | - | - |
| 1240 Due from Other Governments | 3,020,953 | 627,872 | - |
| 1260 Due from Other Funds | 11,087,655 | 359,376 | - |
| 1290 Other Receivables | 627,658 | 5,463 | - |
| 1300 Inventories | 1,119,172 | 657,556 | - |
| 1410 Deferred Expenditures | 74,098 | 19 | - |
| 1490 Other Current Assets | 375,390 | - | - |
| 1000 Total Assets | <u>\$ 34,959,691</u> | <u>\$ 6,056,969</u> | <u>\$ 4,131,703</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| 2110 Accounts Payable | \$ 952,223 | \$ 173,527 | \$ - |
| 2150 Payroll Deductions and Withholdings Payable | 2,093,343 | - | - |
| 2160 Accrued Wages Payable | 2,464,569 | 210,604 | - |
| 2170 Due to Other Funds | 6,099,772 | 1,488,471 | 121,315 |
| 2180 Due to Other Governments | - | - | 138,362 |
| 2300 Deferred Revenues | 2,127,589 | - | 25,323 |
| 2000 Total Liabilities | <u>\$ 13,737,496</u> | <u>\$ 1,872,602</u> | <u>\$ 285,000</u> |
| Fund Balances: | | | |
| Reserved For: | | | |
| 3410 Investments in Inventory | \$ 1,119,172 | \$ 657,556 | \$ - |
| 3420 Retirement of Long-Term Debt | - | - | 3,841,909 |
| 3440 Outstanding Encumbrances | 692,025 | - | - |
| Unreserved and Undesignated: | | | |
| 3600 Reported in the General Fund | 19,410,998 | - | 4,794 |
| 3610 Reported in Special Revenue Funds | - | 3,526,811 | - |
| 3620 Reported in Capital Projects Funds | - | - | - |
| 3000 Total Fund Balances | <u>\$ 21,222,195</u> | <u>\$ 4,184,367</u> | <u>\$ 3,846,703</u> |
| 4000 Total Liabilities and Fund Balances | <u>\$ 34,959,691</u> | <u>\$ 6,056,969</u> | <u>\$ 4,131,703</u> |

The accompanying notes are an integral part of this statement.

| 60 Capital Projects | Other Funds | Total Governmental Funds |
|---------------------------|---------------------|--------------------------------|
| \$ - | \$ 918,949 | \$ 4,154,743 |
| 40,127,187 | - | 61,732,500 |
| - | - | 3,504,105 |
| - | - | (1,152,061) |
| - | 1,555,177 | 5,204,002 |
| - | 690,043 | 12,137,074 |
| - | - | 633,121 |
| - | - | 1,776,728 |
| - | 47 | 74,164 |
| - | - | 375,390 |
| <u>\$ 40,127,187</u> | <u>\$ 3,164,216</u> | <u>\$ 88,439,766</u> |
| | | |
| \$ 114,036 | \$ 101,225 | \$ 1,341,011 |
| - | - | 2,093,343 |
| - | 154,707 | 2,829,880 |
| 845,634 | 2,611,276 | 11,166,468 |
| - | - | 138,362 |
| - | 90,605 | 2,243,517 |
| <u>\$ 959,670</u> | <u>\$ 2,957,813</u> | <u>\$ 19,812,581</u> |
| | | |
| \$ - | \$ - | \$ 1,776,728 |
| - | - | 3,841,909 |
| - | - | 692,025 |
| - | - | 19,415,792 |
| - | 206,403 | 3,733,214 |
| 39,167,517 | - | 39,167,517 |
| <u>\$ 39,167,517</u> | <u>\$ 206,403</u> | <u>\$ 68,627,185</u> |
| | | |
| <u>\$ 40,127,187</u> | <u>\$ 3,164,216</u> | <u>\$ 88,439,766</u> |

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MIDLAND INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2003

| | | |
|---|-----------|--------------------------|
| Total Fund Balances - Governmental Funds | \$ | 68,627,185 |
| 1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The net effect of this consolidation is to increase(decrease) net assets. | | 3,958,188 |
| 2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$153,170,285 and the accumulated depreciation was \$53,595,023. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net assets. | | 39,899,933 |
| 3 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 2003 capital outlays and debt principal payments is to increase (decrease) net assets. | | (33,645,588) |
| 4 The 2003 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets. | | (3,827,726) |
| 5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing 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. | | 2,275,454 |
| 19 Net Assets of Governmental Activities | \$ | <u>77,287,446</u> |

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, 2003

| Data Control Codes | 10 General Fund | 20 Food Service Fund | 50 Debt Service Fund |
|--|-----------------------|----------------------------|----------------------------|
| REVENUES: | | | |
| 5700 Total Local and Intermediate Sources | \$ 69,320,547 | \$ 2,312,318 | \$ 4,780,165 |
| 5800 State Program Revenues | 45,693,094 | - | 2,134,683 |
| 5900 Federal Program Revenues | 656,772 | 5,610,684 | - |
| 5020 Total Revenues | <u>115,670,413</u> | <u>7,923,002</u> | <u>6,914,848</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| 0011 Instruction | 69,573,565 | - | - |
| 0012 Instructional Resources & Media Services | 2,055,070 | - | - |
| 0013 Curriculum & Instructional Staff Development | 1,593,121 | - | - |
| 0021 Instructional Leadership | 720,486 | - | - |
| 0023 School Leadership | 7,491,506 | - | - |
| 0031 Guidance, Counseling & Evaluation Services | 3,648,446 | - | - |
| 0032 Social Work Services | 173,953 | - | - |
| 0033 Health Services | 1,287,562 | - | - |
| 0034 Student (Pupil) Transportation | 4,274,284 | - | - |
| 0035 Food Services | - | 7,067,485 | - |
| 0036 Cocurricular/Extracurricular Activities | 3,154,966 | - | - |
| 0041 General Administration | 3,695,053 | - | - |
| 0051 Plant Maintenance and Operations | 13,734,872 | - | - |
| 0052 Security and Monitoring Services | 711,735 | - | - |
| 0053 Data Processing Services | 1,215,692 | - | - |
| 0061 Community Services | 155,978 | - | - |
| Debt Service: | | | |
| 0071 Debt Service - Principal on long-term debt | 95,479 | - | 4,254,998 |
| 0072 Debt Service - Interest on long-term debt | - | - | 2,607,422 |
| 0073 Debt Service - Bond Issuance Cost and Fees | - | - | 52,428 |
| Capital Outlay: | | | |
| 0081 Facilities Acquisition and Construction | 242,290 | - | - |
| 6030 Total Expenditures | <u>113,824,058</u> | <u>7,067,485</u> | <u>6,914,848</u> |
| 1100 Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>1,846,355</u> | <u>855,517</u> | <u>-</u> |
| OTHER FINANCING SOURCES (USES): | | | |
| 7911 Capital-related Debt Issued (Regular Bonds) | - | - | 16,499,651 |
| 7916 Premium or Discount on Issuance of Bonds | - | - | - |
| 7917 Prepaid Interest | - | - | - |
| 8949 Other (Uses) | - | - | (16,494,857) |
| 7080 Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>4,794</u> |
| 1200 Net Change in Fund Balances | 1,846,355 | 855,517 | 4,794 |
| 0100 Fund Balance - September 1 (Beginning) | <u>19,375,840</u> | <u>3,328,850</u> | <u>3,841,909</u> |
| 3000 Fund Balance - August 31 (Ending) | <u>\$ 21,222,195</u> | <u>\$ 4,184,367</u> | <u>\$ 3,846,703</u> |

The accompanying notes are an integral part of this statement.

| 60 Capital Projects | Other Funds | Total Governmental Funds |
|---------------------------|-------------------|--------------------------------|
| \$ 127,186 | \$ 59,047 | \$ 76,599,263 |
| - | 6,162,490 | 53,990,267 |
| - | 12,433,930 | 18,701,386 |
| <u>127,186</u> | <u>18,655,467</u> | <u>149,290,916</u> |
| - | 12,491,838 | 82,065,403 |
| - | 490,648 | 2,545,718 |
| - | 1,534,399 | 3,127,520 |
| - | 612,163 | 1,332,649 |
| - | 385,898 | 7,877,404 |
| - | 943,105 | 4,591,551 |
| - | 3,000 | 176,953 |
| - | 219,168 | 1,506,730 |
| - | 411,378 | 4,685,662 |
| - | 284,618 | 7,352,103 |
| - | 40,126 | 3,195,092 |
| - | 109,882 | 3,804,935 |
| - | 277,843 | 14,012,715 |
| - | 22,865 | 734,600 |
| - | 14,847 | 1,230,539 |
| - | 786,924 | 942,902 |
| - | - | 4,350,477 |
| - | - | 2,607,422 |
| - | - | 52,428 |
| <u>959,669</u> | <u>10,004</u> | <u>1,211,963</u> |
| <u>959,669</u> | <u>18,638,706</u> | <u>147,404,766</u> |
| <u>(832,483)</u> | <u>16,761</u> | <u>1,886,150</u> |
| 39,305,000 | - | 55,804,651 |
| 431,817 | - | 431,817 |
| 263,183 | - | 263,183 |
| - | - | (16,494,857) |
| <u>40,000,000</u> | <u>-</u> | <u>40,004,794</u> |
| 39,167,517 | 16,761 | 41,890,944 |
| - | 189,642 | 26,736,241 |
| <u>\$ 39,167,517</u> | <u>\$ 206,403</u> | <u>\$ 68,627,185</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, 2003

| | | |
|--|-----------|------------------|
| Total Net Change in Fund Balances - Governmental Funds | \$ | 41,890,944 |
| | | |
| The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase (decrease) net assets. | | 2,037,123 |
| | | |
| 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 2003 capital outlays and debt principal payments is to increase (decrease) net assets. | | (33,645,588) |
| | | |
| 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. | | (3,827,726) |
| | | |
| Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net assets. | | 310,102 |
| | | |
| Change in Net Assets of Governmental Activities | \$ | 6,764,855 |

The accompanying notes are an integral part of this statement.

MIDLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
AUGUST 31, 2003

753
Internal
Service Fund

ASSETS

Current Assets:

| | |
|---------------------------|-------------------------|
| Cash and Cash Equivalents | \$ 8,503,407 |
| Due from Other Funds | 17,592 |
| Other Receivables | <u>564</u> |
| Total Assets | <u>8,521,563</u> |

LIABILITIES

Current Liabilities:

| | |
|--------------------------|-------------------------|
| Accounts Payable | 3,591 |
| Due to Other Funds | 1,027,114 |
| Accrued Expenses | <u>3,532,669</u> |
| Total Liabilities | <u>4,563,374</u> |

NET ASSETS

| | |
|-------------------------|----------------------------|
| Unrestricted Net Assets | <u>3,958,189</u> |
| Total Net Assets | <u>\$ 3,958,189</u> |

The accompanying notes are an integral part of this statement.

23
 MIDLAND INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2003

| | Internal Service Fund |
|--|--------------------------|
| OPERATING REVENUES: | |
| Local and Intermediate Sources | \$ <u>12,239,529</u> |
| Total Operating Revenues | <u>12,239,529</u> |
| OPERATING EXPENSES: | |
| Payroll Costs | 130,950 |
| Supplies and Materials | 6,321 |
| Other Operating Costs | <u>10,065,135</u> |
| Total Operating Expenses | <u>10,202,406</u> |
| Operating Income | 2,037,123 |
| Total Net Assets - September 1 (Beginning) | <u>1,921,065</u> |
| Total Net Assets - August 31 (Ending) | <u>\$ 3,958,188</u> |

The accompanying notes are an integral part of this statement.

MIDLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2003

| | 153 Internal Service Fund |
|---|---------------------------------|
| Net Increase in Cash and Cash Equivalents | 2,555,543 |
| Cash and Cash Equivalents at Beginning of the Year: | <u>5,947,863</u> |
| Cash and Cash Equivalents at the End of the Year: | <u>\$ 8,503,406</u> |
| Reconciliation of Operating Income to Net Cash Provided By Operating Activities: | |
| Operating Income: | \$ 2,037,123 |
| Effect of Increases and Decreases in Current Assets and Liabilities: | |
| Decrease (increase) in Receivables | (14,033) |
| Increase (decrease) in Accounts Payable | 3,591 |
| Increase (decrease) in | 315,115 |
| Increase (decrease) in | <u>213,747</u> |
| Net Cash Provided by Operating Activities | <u>\$ 2,555,543</u> |

The accompanying notes are an integral part of this statement.

MIDLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
AUGUST 31, 2003

| | <i>801,807</i> Private Purpose Trust Funds | <i>800,793</i> Employee Benefits Trust Fund | <i>803</i> Student Activity Fund |
|--------------------------------|---|--|---|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 39,169 | \$ 393,341 | \$ 465,812 |
| Investments - Current | 26,689 | - | - |
| Due From Other Funds | - | 61,483 | - |
| Other Receivables | 14,500 | 260,236 | - |
| Inventories | 1,804 | - | - |
| Total Assets | <u>\$ 82,162</u> | <u>\$ 715,060</u> | <u>\$ 465,812</u> |
| LIABILITIES | | | |
| Accounts Payable | \$ 1,178 | \$ 390,118 | \$ 7,732 |
| Due to Other Funds | 22,566 | - | - |
| Due to Student Groups | - | - | 458,080 |
| Due to Employees | - | - | - |
| Payable from Restricted Assets | 57,792 | 324,942 | - |
| Total Liabilities | <u>\$ 81,536</u> | <u>\$ 715,060</u> | <u>\$ 465,812</u> |
| NET ASSETS | | | |
| Unrestricted Net Assets | \$ 626 | | |
| Total Net Assets | <u><u>\$ 626</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, 2003

| | | Private Purpose Trust Funds |
|--|-------------------|-----------------------------------|
| ADDITIONS | | |
| Local and Intermediate Sources | \$ 20,937 | |
| Total Additions | <u>20,937</u> | |
| DEDUCTIONS | | |
| Contracted Services <i>Singh</i> | 4,424 | |
| Other Operating Costs | <u>16,622</u> | |
| Total Deductions | <u>21,046</u> | |
| Change in Net Assets | | (109) <i>(666)</i> |
| Total Net Assets - September 1 (Beginning) | | <u>735</u> <i>626</i> |
| Total Net Assets - August 31 (Ending) | <u>\$ 626</u> | <i>- 0 -</i> |

13,295
1804
10,865
21,669

Will Not Fund

The accompanying notes are an integral part of this statement.

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MIDLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2003

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." 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 Funds are the scholarship and carver center impact funds.
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 Fund is 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, 2003, the District's liability for unused sick leave is \$2,726,402.
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.
9. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first unless unrestricted assets will have to be returned because they were not used.

10. 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.
11. 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 | n/a | 6,027,013 | |
| Buildings & Improvements | 133,869,961 | (44,923,113) | 88,946,848 | |
| Furniture & Equipment | 13,273,312 | (8,671,911) | 4,601,401 | |
| Net Change in Assets | | | | 99,575,262 |
| Long-term Liabilities at the Beginning of Year | Beginning Payables | | | |
| Bonds Payable (w/ Accretion) | (56,712,507) | | | |
| Other Payables | (2,962,822) | | | |
| Net Change in Assets | | | | (59,675,329) |
| Total Adjustment to Net Assets | | | | \$39,899,933 |

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

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

| Capital Outlays & Long-Term Debt: | Amount |
|--|-----------------------|
| Additions - Furniture & Equipment | (690,541) |
| Additions - Buildings & Improvements | (1,104,184) |
| Construction in Progress | (107,780) |
| Capital Lease Principal Payments | (93,546) |
| Bond Principal Issue net of Payments | 35,641,639 |
| Total Adjustment to Net Assets | (\$33,645,588) |

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

| Reclassifications: | Amount |
|--|------------------|
| Adjustments to Taxes - General levy | 259,816 |
| Adjustments to Taxes - Debt Service Levy | 18,349 |
| Adjustments to Accrued Sick Leave Payable | 31,937 |
| Total Adjustments to Beginning Net Assets | \$310,102 |

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 C-5 and the other two reports are in Exhibit J4 and J5.

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, 2003, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$6,509,061 and the bank balance was \$8,356,822. The District's cash deposits at August 31, 2003 were not entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name. See Categories of Risk on Page 36.

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 \$10,229,929.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$10,190,911 and occurred on December 31, 2003.
- 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 \$78,219,694 cash and investments held by TexPool and it's depository bank. Based on the three levels of risk, \$77,507,277 was classified as Category 1 and \$712,417 was classified as Category 2.

The District's temporary investments at August 31, 2003, are shown below:

| <u>Name</u> | <u>Carrying Amount</u> | <u>Market Value</u> |
|---------------------------|------------------------|---------------------|
| TexPool (Investment Pool) | \$69,862,873 | 69,862,873 |

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, 2003 consisted of the following individual fund balances:

| | General Fund | Special Revenue | Debt Service | Capital Projects | Internal Service | Trust & Agency | Total |
|---------------------------------|-------------------|------------------|----------------|------------------|------------------|----------------|-------------------|
| Due From General Fund | 4,988,823 | 1,049,419 | | | 48 | 61,483 | 6,099,773 |
| Due From Special Revenue Funds | 4,082,203 | | | | 17,544 | | 4,099,747 |
| Due From Debt Service Fund | 121,315 | | | | | | 121,315 |
| Due From Capital Projects Fund | 845,634 | | | | | | 845,634 |
| Due From Enterprise Funds | | | | | | | - |
| Due From Internal Service Funds | 1,027,114 | | | | | | 1,027,114 |
| Due From Trust & Agency Funds | 22,566 | | | | | | 22,566 |
| Total Due From | 11,087,655 | 1,049,419 | - | - | 17,592 | 61,483 | 12,216,149 |
| Due To General Fund | 4,988,823 | 4,082,203 | 121,315 | 845,634 | 1,027,114 | 22,566 | 11,087,655 |
| Due To Special Revenue Funds | 1,049,419 | | | | | | 1,049,419 |
| Due To Debt Service Fund | | | | | | | - |
| Due To Capital Projects Fund | | | | | | | - |
| Due To Enterprise Funds | | | | | | | - |
| Due To Internal Service Funds | 48 | 17,544 | | | | | 17,592 |
| Due To Trust & Agency Funds | 61,483 | | | | | | 61,483 |
| Total Due To | 6,099,773 | 4,099,747 | 121,315 | 845,634 | 1,027,114 | 22,566 | 12,216,149 |

E. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended August 31, 2003, was as follows:

| | Beginning Balance | Additions | Retirements | Ending Balance |
|--|---------------------|------------------|-----------------------------|---------------------|
| Governmental Activities: | | | | |
| Land | 6,027,013 | - | | 6,027,013 |
| Buildings and Improvements | 133,869,960 | 1,211,964 | | 135,081,924 |
| Furniture and Equipment | 13,250,632 | 753,281 | (62,740) | 13,941,173 |
| Leased Property Under Capital Leases | 22,680 | | | 22,680 |
| Totals at Historic Cost | 153,170,285 | 1,965,245 | (62,740) | 155,072,790 |
| Less Accumulated Depreciation: | | | Current Depreciation | |
| Buildings and Improvements | (44,923,112) | | (2,914,841) | (47,837,953) |
| Furniture and Equipment | (8,671,910) | | (912,886) | (9,584,796) |
| Total Accumulated Depreciation | (53,595,022) | | (3,827,727) | (57,422,749) |
| Governmental Activities Capital Assets, Net | 99,575,263 | 1,965,245 | (3,890,467) | \$97,650,041 |

| Depreciation expense was charged to governmental functions as follows: | Amount |
|---|----------------------|
| Instruction | (2,372,717) |
| Instructional Resources and Media Services | (131,570) |
| Curriculum Development and Instructional Staff Development | (13,845) |
| Instructional Leadership | (5,312) |
| School Leadership | (191,666) |
| Guidance, Counseling and Evaluation Services | (8,176) |
| Health Services | (16,880) |
| Student (Pupil) Transportation | (632,688) |
| Food Services | (36,894) |
| Cocurricular/Extracurricular Activities | (52,899) |
| General Administration | (15,927) |
| Plant Maintenance and Operations | (261,228) |
| Security and Monitoring Service | (2,800) |
| Data Processing Services | (85,124) |
| Total Adjustment to Net Assets (See C-2 and C-4) | (\$3,827,726) |

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, 2003 is as follows:

| Date of Issue | Series | Interest Rate | Amount of Original Issue | Amount o/s 9/1/2002 | Issued | Interest Accretion | Retired Current Year | Amount o/s 8/31/2003 |
|---------------|---------------------|---------------|--------------------------|---------------------|-------------------|--------------------|----------------------|----------------------|
| 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 | | | | 820,000 |
| 12/15/92 | 1992 ⁽¹⁾ | 2.9-6% | 16,570,000 | 2,219,625 | | 100,375 | 2,320,000 | 0 |
| 10/15/93 | 1993 ⁽¹⁾ | 2.6-5.15% | 24,960,000 | 20,880,859 | | 225,893 | 16,510,000 | 4,596,752 |
| 7/2/01 | 1997 | 3.5-4.625% | 6,055,000 | 5,785,000 | | | 1,000,000 | 4,785,000 |
| 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 | 17,945,000 | | | 540,000 | 17,405,000 |
| 11/15/98 | 1998 ⁽¹⁾ | 4.2-4.3% | 1,520,000 | 1,052,023 | | 345,555 | | 1,397,578 |
| 5/20/03 | 2003 ⁽¹⁾ | 2.75% | 2,470,000 | 0 | 2,230,385 | 14,430 | | 2,244,815 |
| 5/20/03 | 2003 | 4.0-5.25% | 53,095,000 | 0 | 53,095,000 | | | 53,095,000 |
| Total | | | | 56,712,507 | 55,325,385 | 686,253 | 20,370,000 | 92,354,145 |

Debt service requirements are as follows:

| Year | Principal | Interest | Total |
|--------------|----------------------|----------------------|-------------------------|
| 2004 | 3,925,000.00 | 4,088,958.76 | 8,013,958.76 |
| 2005 | 4,984,563.63 | 4,100,626.46 | 9,085,190.09 |
| 2006 | 3,009,766.63 | 4,229,078.28 | 7,238,844.91 |
| 2007 | 4,149,815.04 | 3,933,364.96 | 8,083,180.00 |
| 2008 | 4,705,000.00 | 3,586,992.50 | 8,291,992.50 |
| Thereafter | 71,580,000.00 | 32,323,338.75 | 103,903,338.75 |
| Total | 92,354,145.30 | 52,262,359.71 | \$144,616,505.01 |

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 \$22,087,162.

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, 2003.

G. COMMITMENTS UNDER LEASES

Capital Leases

The district acquired office and instructional equipment under long-term capital lease agreement. Imputed interest rates vary from 3.41% to 7.35%. The value of capital lease items in the government wide fund statements is \$327,219.

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> |
|-------------|------------------|-----------------|
| 2004 | 76,773 | 5,898 |
| 2005 | 34,162 | 865 |

| | |
|---|-----------|
| Estimated Future Capital Lease Payments | \$117,698 |
| Rental Expenditures in Fiscal Year 2003 | \$82,672 |

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, 2003, the District's liability for unused sick leave is \$2,726,402.

I. DEFINED BENEFIT PENSION PLAN

Plan Description. Midland Independent School District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 8701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

Funding Policy. State law provides for fiscal years 2001 2002 and 2003 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, 2001, 2002 and 2003 were \$4,451,114, \$4,424,656, and \$4,293,158 respectively. Midland Independent School District paid additional state contributions for the years ended August 31, 2001, 2002, and 2003 in the amount of \$786,758, \$958,035, and \$1,069,145, 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, 2003, 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, 2003, 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, 2002</u> | <u>Year Ended</u> <u>August 31, 2003</u> |
|---|---|---|
| Unpaid claims, beginning of the year | 1,236,025 | \$1,742,664 |
| Incurred claims/changes in estimates (including IBNR'S) | 8,115,722 | 7,402,315 |
| Claim Payments | <u>(7,609,083)</u> | <u>(7,335,802)</u> |
| Unpaid claims, end of fiscal year | <u>\$1,742,664</u> | <u>\$1,809,177</u> |

K. CHANGES IN LONG-TERM LIABILITIES

Long-term activity for the year ended August 31, 2003, was as follows:

| | Beginning Balance | Additions | Deletions | Ending Balance |
|------------------------------------|------------------------------|-------------------|---------------------|---------------------------|
| Governmental Activities: | | | | |
| Bonds and Notes Payable | 56,712,507 | 56,011,638 | (20,370,000) | 92,354,145 |
| Capital Leases | 204,482 | | (93,546) | 110,936 |
| Compensated Absences | 2,758,340 | | (31,937) | 2,726,403 |
| Total Long-Term Liabilities | 59,675,329 | 56,011,638 | (20,495,483) | 95,191,484 |

L. DEFERRED REVENUE

Deferred revenue at year-end consisted of the following:

| | General Fund | Special Revenue Funds | Debt Service Fund | Total |
|-----------------------------|-------------------------|--------------------------------------|----------------------------------|------------------|
| Net Tax Revenue | 1,824,277 | | 25,323 | 1,849,600 |
| Gate Receipts | 195,340 | | | 195,340 |
| Activity Fund Receipts | 37,427 | | | 37,427 |
| Coaching Stipends | 15,144 | | | 15,144 |
| Technology Grant | 53,000 | | | 53,000 |
| Learn & Serve America | | 668 | | 668 |
| Summer Feeding Program | | 34,860 | | 34,860 |
| Library Supplement | | 357 | | 357 |
| Title V, Part A, Innovative | | 2,235 | | 2,235 |
| Air Force Junior ROTC | | 13,593 | | 13,593 |
| Advance Placement/Testing | | 1,674 | | 1,674 |
| Shaken Baby | | 372 | | 372 |
| Kindergarten & Pre-K Grant | | 35,012 | | 35,012 |
| Read to Succeed | | 106 | | 106 |
| Music Plus | | 1,728 | | 1,728 |
| Miscellaneous | 2,401 | | | 2,401 |
| Total | 2,127,589 | 90,605 | 25,323 | 2,243,517 |

M. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2003, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

| Description | Amount |
|---------------------------------------|------------------|
| General Fund | 3,020,953 |
| Food Service | 627,872 |
| Head Start | 8,125 |
| Title I, Part A | 98,219 |
| Title I, Part C | 43,300 |
| Title IV, Part A, SDFSC | 10,414 |
| Title VII, Bilingual | 7,322 |
| Title VII, Bilingual, Prof Dev | 4,622 |
| IDEA, Part B, Formula | 165,739 |
| IDEA, Part B, Discretionary | 3,530 |
| IDEA, Part B, Deaf | 402 |
| Vocational Ed-Basic Grant | 183,805 |
| IDEA, Part C, Deaf | 271 |
| Title II, Part A, TPTR | 18,612 |
| Title II, Part D, Technology | 775 |
| Title III, Part A | 84,032 |
| Magnet School | 52,487 |
| Title IV, Community Service | 31,138 |
| Investment Capital Funds (Washington) | 46,614 |
| Pregnancy, Education and Parenting | 23,671 |
| Comp Dev Guidance | 77,500 |
| Staff Dev (Investment Capital) | 44,841 |
| State Funded Optional Extended-Yr Prg | 290,212 |
| Accelerated Reading | 40,605 |
| Reading Initiative | 54,221 |
| Technology Allotment | 13,634 |
| Telecommunications Infrastructure | 250,711 |
| Employee Health Insurance | 375 |
| Total | 5,204,002 |

N. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

| | General Fund | Special Revenue Funds | Debt Service Fund | Capital Projects Fund | Total |
|---|---------------------|------------------------------|--------------------------|------------------------------|-------------------|
| Property Taxes | 66,127,397 | | 4,640,399 | | 70,767,796 |
| Penalties, Interest and Other Tax-related Income | 728,018 | | 56,610 | | 784,628 |
| Investment Income | 320,468 | 48,204 | 83,156 | 127,187 | 579,015 |
| Food Sales | | 2,273,421 | | | 2,273,421 |
| Co-curricular/Extra-curricular Student Activities | 627,729 | | | | 627,729 |
| Other | 1,516,935 | 49,740 | | | 1,566,675 |
| Total | 69,320,547 | 2,371,365 | 4,780,165 | 127,187 | 76,599,264 |

O. LITIGATION

There are various claims and pending legal actions incidental to the operation of the District. In the opinion of management, the District's ultimate liability in these matters, in aggregate, is immaterial.

P. 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 2002-03 \$7,553,302
- b) Subtract any non-medical expenditures Life Insurance (38,241)
- c) 2002-2003 Maintenance of Effort \$7,515,061

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).

Q. 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, 2003, 1,754 employees participated in the plan and the District contributed \$1,887,552.

R. 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 \$538,593 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.

The accrued liabilities for worker's compensation self-insurance of \$1,723,492 includes estimated incurred but not reported claims.

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

| Fiscal Year | Claims |
|------------------------|------------|
| 1994 | 262 |
| 1995 | 298 |
| 1996 | 326 |
| 1997 | 279 |
| 1998 | 342 |
| 1999 | 338 |
| 2000 | 139 |
| 2001 | 332 |
| 2002 | 314 |
| 2003 | 81 |
| 10 Year Average | 271 |

| Year | Beginning of Fiscal Year Liability | Current Year Claims and Changes in Estimates | Claims Payments | Balance at Fiscal Year End |
|------|------------------------------------|--|-----------------|----------------------------|
| 2002 | 1,224,322 | 672,971 | 324,594 | 1,572,699 |
| 2003 | 1,572,699 | 1,280,786 | 1,129,993 | 1,723,492 |

S. 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 2003, 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.

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REQUIRED SUPPLEMENTARY INFORMATION

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MIDLAND INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2003

| Data Control Codes | Budgeted Amounts | | Actual Amounts (GAAP BASIS) | Variance With Final Budget Positive or (Negative) | |
|--------------------------|--|---------------|--------------------------------|--|--------------|
| | Original | Final | | | |
| REVENUES: | | | | | |
| 5700 | Total Local and Intermediate Sources | \$ 68,291,486 | \$ 68,701,451 | \$ 69,320,547 | \$ 619,096 |
| 5800 | State Program Revenues | 44,318,801 | 44,723,258 | 45,693,094 | 969,836 |
| 5900 | Federal Program Revenues | 450,000 | 587,352 | 656,772 | 69,420 |
| 5020 | Total Revenues | 113,060,287 | 114,012,061 | 115,670,413 | 1,658,352 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| 0011 | Instruction | 70,151,410 | 69,865,611 | 69,573,565 | 292,046 |
| 0012 | Instructional Resources & Media Services | 2,060,779 | 2,128,480 | 2,055,070 | 73,410 |
| 0013 | Curriculum & Instructional Staff Development | 1,918,185 | 1,764,117 | 1,593,121 | 170,996 |
| 0021 | Instructional Leadership | 598,686 | 812,783 | 720,486 | 92,297 |
| 0023 | School Leadership | 7,671,586 | 7,578,860 | 7,491,506 | 87,354 |
| 0031 | Guidance, Counseling & Evaluation Services | 3,726,375 | 3,798,999 | 3,648,446 | 150,553 |
| 0032 | Social Work Services | 175,752 | 194,884 | 173,953 | 20,931 |
| 0033 | Health Services | 1,435,472 | 1,308,622 | 1,287,562 | 21,060 |
| 0034 | Student (Pupil) Transportation | 4,393,140 | 4,314,179 | 4,274,284 | 39,895 |
| 0036 | Cocurricular/Extracurricular Activities | 2,694,308 | 3,231,710 | 3,154,966 | 76,744 |
| 0041 | General Administration | 4,111,083 | 3,781,896 | 3,695,053 | 86,843 |
| 0051 | Plant Maintenance and Operations | 13,749,183 | 14,614,939 | 13,734,872 | 880,067 |
| 0052 | Security and Monitoring Services | 700,876 | 731,443 | 711,735 | 19,708 |
| 0053 | Data Processing Services | 1,356,973 | 1,294,007 | 1,215,692 | 78,315 |
| 0061 | Community Services | 65,363 | 179,678 | 155,978 | 23,700 |
| 0071 | Debt Service - Principal on long-term debt | 82,679 | 125,537 | 95,479 | 30,058 |
| 0081 | Facilities Acquisition and Construction | - | 330,000 | 242,290 | 87,710 |
| 6030 | Total Expenditures | 114,891,850 | 116,055,745 | 113,824,058 | 2,231,687 |
| 1200 | Net Change in Fund Balances | (1,831,563) | (2,043,684) | 1,846,355 | 3,890,039 |
| 0100 | Fund Balance - September 1 (Beginning) | 19,375,840 | 19,375,840 | 19,375,840 | - |
| 3000 | Fund Balance - August 31 (Ending) | \$ 17,544,277 | \$ 17,332,156 | \$ 21,222,195 | \$ 3,890,039 |

The accompanying notes are an integral part of this statement.

MIDLAND INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2003

| Data Control Codes | 203 Title IV SDFSCA Mini Grant | 204 ESEA Title IV Safe & Drug Free Schools | 205 Head Start | 211 ESEA I, A |
|--------------------------------------|---|---|-------------------|------------------|
| ASSETS | | | | |
| 1110 | \$ - | \$ - | \$ 3,285 | \$ - |
| 1240 | - | 10,414 | 8,125 | 98,219 |
| 1260 | - | - | 147,733 | 759 |
| 1410 | - | - | - | 13 |
| 1000 | <u>\$ -</u> | <u>\$ 10,414</u> | <u>\$ 159,143</u> | <u>\$ 98,991</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| 2110 | \$ - | \$ 492 | \$ 22,211 | \$ 27,191 |
| 2160 | - | - | 123,802 | - |
| 2170 | - | 9,922 | 13,130 | 71,800 |
| 2300 | - | - | - | - |
| 2000 | <u>-</u> | <u>10,414</u> | <u>159,143</u> | <u>98,991</u> |
| Fund Balances: | | | | |
| Unreserved and Undesignated: | | | | |
| 3610 | - | - | - | - |
| 3000 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| 4000 | <u>\$ -</u> | <u>\$ 10,414</u> | <u>\$ 159,143</u> | <u>\$ 98,991</u> |

| 212 ESEA Title I Part C Migrant | 219 ESEA VII, A Bilingual Education | 220 Title VII Bilingual Prof Dev | 222 Learn and Serve America | 224 IDEA - Part B Formula | 225 IDEA - Part B Preschool | 226 IDEA - Part B Discretionary | 227 IDEA - Part B Deaf |
|--|--|---|--------------------------------------|---------------------------------|-----------------------------------|---------------------------------------|------------------------------|
| \$ - | \$ - | \$ - | \$ 696 | \$ - | \$ 8,452 | \$ - | \$ - |
| 43,300 | 7,322 | 4,622 | - | 165,739 | - | 3,530 | 402 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>\$ 43,300</u> | <u>\$ 7,322</u> | <u>\$ 4,622</u> | <u>\$ 696</u> | <u>\$ 165,739</u> | <u>\$ 8,452</u> | <u>\$ 3,530</u> | <u>\$ 402</u> |
| | | | | | | | |
| \$ 820 | \$ 2,418 | \$ 92 | \$ - | \$ 13,272 | \$ - | \$ 478 | \$ - |
| - | - | - | - | - | - | - | - |
| 42,480 | 4,904 | 4,530 | 27 | 152,467 | 8,452 | 3,052 | 402 |
| - | - | - | 669 | - | - | - | - |
| <u>43,300</u> | <u>7,322</u> | <u>4,622</u> | <u>696</u> | <u>165,739</u> | <u>8,452</u> | <u>3,530</u> | <u>402</u> |
| | | | | | | | |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>\$ 43,300</u> | <u>\$ 7,322</u> | <u>\$ 4,622</u> | <u>\$ 696</u> | <u>\$ 165,739</u> | <u>\$ 8,452</u> | <u>\$ 3,530</u> | <u>\$ 402</u> |

MIDLAND INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2003

| Data Control Codes | 228 IDEA - Part B Preschool Deaf | 242 Summer Feeding Program | 244 Vocational Ed Basic Grant | 253 IDEA Part C Deaf | |
|--------------------------------------|--|-------------------------------------|--|-------------------------------|---------------|
| ASSETS | | | | | |
| 1110 | Cash and Cash Equivalents | \$ - | \$ 263,903 | \$ - | \$ - |
| 1240 | Due from Other Governments | - | - | 183,805 | 271 |
| 1260 | Due from Other Funds | - | - | - | - |
| 1410 | Deferred Expenditures | - | - | - | - |
| 1000 | Total Assets | <u>\$ -</u> | <u>\$ 263,903</u> | <u>\$ 183,805</u> | <u>\$ 271</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| 2110 | Accounts Payable | \$ - | \$ - | \$ 553 | \$ - |
| 2160 | Accrued Wages Payable | - | - | - | - |
| 2170 | Due to Other Funds | - | 71,080 | 183,252 | 271 |
| 2300 | Deferred Revenues | - | 34,860 | - | - |
| 2000 | Total Liabilities | <u>-</u> | <u>105,940</u> | <u>183,805</u> | <u>271</u> |
| Fund Balances: | | | | | |
| Unreserved and Undesignated: | | | | | |
| 3610 | Reported in Special Revenue Funds | - | 157,963 | - | - |
| 3000 | Total Fund Balances | <u>-</u> | <u>157,963</u> | <u>-</u> | <u>-</u> |
| 4000 | Total Liabilities and Fund Balances | <u>\$ -</u> | <u>\$ 263,903</u> | <u>\$ 183,805</u> | <u>\$ 271</u> |

EXHIBIT H-1 (Cont'd)

| 255 ESEA II, A Training and Recruiting | 256 ESEA, I Comprehensive School Reform | 259 Library Supplement | 262 Title II, Part D Technology | 263 Title III, Part A | 269 Title V, Pt.A Innovative Programs | 282 Magnet School Assistance | 284 Air Force Jr ROTC |
|---|--|------------------------------|--|-----------------------------|--|---------------------------------------|-----------------------------|
| \$ - | \$ - | \$ 453 | \$ 216,554 | \$ - | \$ 3,197 | \$ - | \$ 14,321 |
| 18,612 | - | - | 775 | 84,032 | - | 52,487 | - |
| - | - | - | - | 428 | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>\$ 18,612</u> | <u>\$ -</u> | <u>\$ 453</u> | <u>\$ 217,329</u> | <u>\$ 84,460</u> | <u>\$ 3,197</u> | <u>\$ 52,487</u> | <u>\$ 14,321</u> |
| | | | | | | | |
| \$ 10,404 | \$ - | \$ - | \$ - | \$ 42 | \$ - | \$ 10,193 | \$ 728 |
| - | - | - | - | - | - | - | - |
| 8,208 | - | 96 | 217,329 | 84,418 | 962 | 42,294 | - |
| - | - | 357 | - | - | 2,235 | - | 13,593 |
| <u>18,612</u> | <u>-</u> | <u>453</u> | <u>217,329</u> | <u>84,460</u> | <u>3,197</u> | <u>52,487</u> | <u>14,321</u> |
| | | | | | | | |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>\$ 18,612</u> | <u>\$ -</u> | <u>\$ 453</u> | <u>\$ 217,329</u> | <u>\$ 84,460</u> | <u>\$ 3,197</u> | <u>\$ 52,487</u> | <u>\$ 14,321</u> |

MIDLAND INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2003

| Data Control Codes | 289 Title IV Community Service | 386 State Deaf | 392 Investment Capital Funds (Washington) | 394 Pregnancy, Education and Parenting | |
|--------------------------------------|--|----------------------|--|---|------------------|
| ASSETS | | | | | |
| 1110 | Cash and Cash Equivalents | \$ - | \$ 61,038 | \$ - | \$ - |
| 1240 | Due from Other Governments | 31,138 | - | 46,614 | 23,671 |
| 1260 | Due from Other Funds | - | - | - | - |
| 1410 | Deferred Expenditures | - | - | - | - |
| 1000 | Total Assets | <u>\$ 31,138</u> | <u>\$ 61,038</u> | <u>\$ 46,614</u> | <u>\$ 23,671</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| 2110 | Accounts Payable | \$ 174 | \$ - | \$ - | \$ 3,980 |
| 2160 | Accrued Wages Payable | 5,004 | - | - | - |
| 2170 | Due to Other Funds | 25,960 | 61,038 | 46,614 | 19,691 |
| 2300 | Deferred Revenues | - | - | - | - |
| 2000 | Total Liabilities | <u>31,138</u> | <u>61,038</u> | <u>46,614</u> | <u>23,671</u> |
| Fund Balances: | | | | | |
| Unreserved and Undesignated: | | | | | |
| 3610 | Reported in Special Revenue Funds | - | - | - | - |
| 3000 | Total Fund Balances | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| 4000 | Total Liabilities and Fund Balances | <u>\$ 31,138</u> | <u>\$ 61,038</u> | <u>\$ 46,614</u> | <u>\$ 23,671</u> |

EXHIBIT H-1 (Cont'd)

| 395 | 396 | 397 | 399 | 401 | 406 | 409 | 411 |
|----------------------|---------------------------------|----------------|------------------------------------|--------------------------------------|------------------------|-----------------------|-------------------------|
| Comp Dev Guidance | Advance Placement Testing | Shaken Baby | Staff Dev Investment Capital | Optional Extended Year Program | Accelerated Reading | Reading Initiative | Technology Allotment |
| \$ - | \$ 3,188 | \$ 372 | \$ - | \$ - | \$ - | \$ - | \$ 309,208 |
| 77,499 | - | - | 44,841 | 290,212 | 40,605 | 54,221 | 13,634 |
| 132,001 | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>\$ 209,500</u> | <u>\$ 3,188</u> | <u>\$ 372</u> | <u>\$ 44,841</u> | <u>\$ 290,212</u> | <u>\$ 40,605</u> | <u>\$ 54,221</u> | <u>\$ 322,842</u> |
| | | | | | | | |
| \$ - | \$ 560 | \$ - | \$ - | \$ 1,165 | \$ 901 | \$ 303 | \$ 4,141 |
| 25,901 | - | - | - | - | - | - | - |
| 183,599 | 972 | - | 44,841 | 289,047 | 39,704 | 53,918 | 298,615 |
| - | 1,656 | 372 | - | - | - | - | - |
| <u>209,500</u> | <u>3,188</u> | <u>372</u> | <u>44,841</u> | <u>290,212</u> | <u>40,605</u> | <u>54,221</u> | <u>302,756</u> |
| | | | | | | | |
| - | - | - | - | - | - | - | 20,086 |
| - | - | - | - | - | - | - | 20,086 |
| <u>\$ 209,500</u> | <u>\$ 3,188</u> | <u>\$ 372</u> | <u>\$ 44,841</u> | <u>\$ 290,212</u> | <u>\$ 40,605</u> | <u>\$ 54,221</u> | <u>\$ 322,842</u> |

**MIDLAND INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2003**

| Data Control Codes | 413 Telecom Infrastruct. Fund | 415 Kindergarten and Pre-K Grants | 418 Employee Health Insurance | 427 Read to Succeed | |
|--------------------------------------|--|--|--|---------------------------|---------------|
| ASSETS | | | | | |
| 1110 | Cash and Cash Equivalents | \$ - | \$ - | \$ 26 | \$ 206 |
| 1240 | Due from Other Governments | 250,712 | - | 375 | - |
| 1260 | Due from Other Funds | - | 409,122 | - | - |
| 1410 | Deferred Expenditures | 34 | - | - | - |
| 1000 | Total Assets | <u>\$ 250,746</u> | <u>\$ 409,122</u> | <u>\$ 401</u> | <u>\$ 206</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| 2110 | Accounts Payable | \$ - | \$ 1,107 | \$ - | \$ - |
| 2160 | Accrued Wages Payable | - | - | - | - |
| 2170 | Due to Other Funds | 250,746 | 373,003 | 401 | 100 |
| 2300 | Deferred Revenues | - | 35,012 | - | 106 |
| 2000 | Total Liabilities | <u>250,746</u> | <u>409,122</u> | <u>401</u> | <u>206</u> |
| Fund Balances: | | | | | |
| Unreserved and Undesignated: | | | | | |
| 3610 | Reported in Special Revenue Funds | - | - | - | - |
| 3000 | Total Fund Balances | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| 4000 | Total Liabilities and Fund Balances | <u>\$ 250,746</u> | <u>\$ 409,122</u> | <u>\$ 401</u> | <u>\$ 206</u> |

| 428 | 465 | 485 | 499 | Total | Total |
|--------------|-----------------|-----------------|------------------|---------------------|---------------------|
| Advance | School to | Music | | Nonmajor | Nonmajor |
| Placement | Career | Plus | Storytelling | Special | Governmental |
| | Tech | | | Revenue Funds | Funds |
| \$ 18 | \$ 1,200 | \$ 2,039 | \$ 30,793 | \$ 918,949 | \$ 918,949 |
| - | - | - | - | 1,555,177 | 1,555,177 |
| - | - | - | - | 690,043 | 690,043 |
| - | - | - | - | 47 | 47 |
| <u>\$ 18</u> | <u>\$ 1,200</u> | <u>\$ 2,039</u> | <u>\$ 30,793</u> | <u>\$ 3,164,216</u> | <u>\$ 3,164,216</u> |
| \$ - | \$ - | \$ - | \$ - | \$ 101,225 | \$ 101,225 |
| - | - | - | - | 154,707 | 154,707 |
| - | 1,200 | 312 | 2,439 | 2,611,276 | 2,611,276 |
| 18 | - | 1,727 | - | 90,605 | 90,605 |
| <u>18</u> | <u>1,200</u> | <u>2,039</u> | <u>2,439</u> | <u>2,957,813</u> | <u>2,957,813</u> |
| - | - | - | 28,354 | 206,403 | 206,403 |
| - | - | - | 28,354 | 206,403 | 206,403 |
| <u>\$ 18</u> | <u>\$ 1,200</u> | <u>\$ 2,039</u> | <u>\$ 30,793</u> | <u>\$ 3,164,216</u> | <u>\$ 3,164,216</u> |

**MIDLAND INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2003**

| Data Control Codes | 203 Title IV SDFSCA Mini Grant | 204 ESEA Title IV Safe & Drug Free Schools | 205 Head Start | 211 ESEA I, A |
|---|---|---|-------------------|------------------|
| REVENUES: | | | | |
| 5700 Total Local and Intermediate Sources | \$ - | \$ - | \$ - | \$ - |
| 5800 State Program Revenues | 7,000 | - | - | - |
| 5900 Federal Program Revenues | - | 152,333 | 1,943,230 | 4,689,511 |
| 5020 Total Revenues | <u>7,000</u> | <u>152,333</u> | <u>1,943,230</u> | <u>4,689,511</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| 0011 Instruction | - | - | 1,077,209 | 3,930,507 |
| 0012 Instructional Resources & Media Services | - | - | 45,342 | 225,998 |
| 0013 Curriculum & Instructional Staff Development | - | - | 34,364 | 123,895 |
| 0021 Instructional Leadership | - | - | - | 96,641 |
| 0023 School Leadership | - | - | 155,737 | 29,003 |
| 0031 Guidance, Counseling & Evaluation Services | - | 152,333 | 39,316 | - |
| 0032 Social Work Services | - | - | - | - |
| 0033 Health Services | - | - | 169,090 | 5,110 |
| 0034 Student (Pupil) Transportation | - | - | 130,458 | 4,418 |
| 0035 Food Services | - | - | - | - |
| 0036 Cocurricular/Extracurricular Activities | - | - | - | - |
| 0041 General Administration | - | - | 6,432 | 355 |
| 0051 Plant Maintenance and Operations | - | - | 10,000 | 132 |
| 0052 Security and Monitoring Services | - | - | - | - |
| 0053 Data Processing Services | - | - | - | - |
| 0061 Community Services | 7,000 | - | 275,282 | 273,452 |
| Capital Outlay: | | | | |
| 0081 Facilities Acquisition and Construction | - | - | - | - |
| 6030 Total Expenditures | <u>7,000</u> | <u>152,333</u> | <u>1,943,230</u> | <u>4,689,511</u> |
| 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> |

| 212 ESEA Title I Part C Migrant | 219 ESEA VII, A Bilingual Education | 220 Title VII Bilingual Prof Dev | 222 Learn and Serve America | 224 IDEA - Part B Formula | 225 IDEA - Part B Preschool | 226 IDEA - Part B Discretionary | 227 IDEA - Part B Deaf |
|--|--|---|--------------------------------------|---------------------------------|-----------------------------------|---------------------------------------|------------------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | 9,150 | - | - | - | - | - | - |
| 133,413 | 204,920 | 154,251 | 21,044 | 2,072,495 | 82,494 | 5,677 | 7,188 |
| <u>133,413</u> | <u>214,070</u> | <u>154,251</u> | <u>21,044</u> | <u>2,072,495</u> | <u>82,494</u> | <u>5,677</u> | <u>7,188</u> |
| 66,521 | - | - | 18,392 | 1,471,728 | 82,494 | 2,318 | 7,188 |
| - | - | - | - | - | - | - | - |
| 2,835 | 214,070 | 154,251 | 2,652 | 15,765 | - | 1,806 | - |
| 12,080 | - | - | - | 238,106 | - | 1,553 | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | 210,283 | - | - | - |
| - | - | - | - | - | - | - | - |
| 4,215 | - | - | - | 99 | - | - | - |
| - | - | - | - | 127,958 | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | 350 | - | - | - |
| 6,000 | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 39,760 | - | - | - | 204 | - | - | - |
| - | - | - | - | - | - | - | - |
| 2,002 | - | - | - | 8,002 | - | - | - |
| <u>133,413</u> | <u>214,070</u> | <u>154,251</u> | <u>21,044</u> | <u>2,072,495</u> | <u>82,494</u> | <u>5,677</u> | <u>7,188</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, 2003**

| Data Control Codes | 228 IDEA - Part B Preschool Deaf | 242 Summer Feeding Program | 244 Vocational Ed Basic Grant | 253 IDEA Part C Deaf |
|---|---|-------------------------------------|--|-------------------------------|
| REVENUES: | | | | |
| 5700 Total Local and Intermediate Sources | \$ - | \$ 10,411 | \$ - | \$ - |
| 5800 State Program Revenues | - | - | - | - |
| 5900 Federal Program Revenues | <u>1,947</u> | <u>50,307</u> | <u>447,049</u> | <u>319</u> |
| 5020 Total Revenues | <u>1,947</u> | <u>60,718</u> | <u>447,049</u> | <u>319</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| 0011 Instruction | 1,947 | - | 407,947 | 319 |
| 0012 Instructional Resources & Media Services | - | - | - | - |
| 0013 Curriculum & Instructional Staff Development | - | - | 16,488 | - |
| 0021 Instructional Leadership | - | - | 7,115 | - |
| 0023 School Leadership | - | - | - | - |
| 0031 Guidance, Counseling & Evaluation Services | - | - | 15,499 | - |
| 0032 Social Work Services | - | - | - | - |
| 0033 Health Services | - | - | - | - |
| 0034 Student (Pupil) Transportation | - | - | - | - |
| 0035 Food Services | - | 50,307 | - | - |
| 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>1,947</u> | <u>50,307</u> | <u>447,049</u> | <u>319</u> |
| 1200 Net Change in Fund Balance | - | 10,411 | - | - |
| 0100 Fund Balance - September 1 (Beginning) | - | <u>147,552</u> | - | - |
| 3000 Fund Balance - August 31 (Ending) | <u>\$ -</u> | <u>\$ 157,963</u> | <u>\$ -</u> | <u>\$ -</u> |

| 255 ESEA II, A Training and Recruiting | 256 ESEA, I Comprehensive School Reform | 259 Library Supplement | 262 Title II, Part D Technology | 263 Title III, Part A | 269 Title V, Pt. A Innovative Programs | 282 Magnet School Assistance | 284 Air Force Jr ROTC |
|---|--|------------------------------|--|-----------------------------|---|---------------------------------------|-----------------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - | - | - |
| 909,927 | 136,718 | - | 121,217 | 84,032 | 109,808 | 984,413 | 7,834 |
| 909,927 | 136,718 | - | 121,217 | 84,032 | 109,808 | 984,413 | 7,834 |
| 741,776 | 73,780 | - | - | - | 101,773 | 789,609 | 7,834 |
| - | - | - | 93,151 | - | 1,248 | 68,032 | - |
| 156,589 | 62,032 | - | 20,199 | - | 6,787 | 21,533 | - |
| 5,742 | - | - | 775 | 84,032 | - | 5,850 | - |
| - | 906 | - | 3,143 | - | - | 34,794 | - |
| - | - | - | - | - | - | 9,287 | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 5,820 | - | - | 1,115 | - | - | 55,308 | - |
| - | - | - | - | - | - | - | - |
| - | - | - | 2,834 | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 909,927 | 136,718 | - | 121,217 | 84,032 | 109,808 | 984,413 | 7,834 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

**MIDLAND INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2003**

| Data Control Codes | 289 Title IV Community Service | 386 State Deaf | 392 Investment Capital Funds (Washington) | 394 Pregnancy, Education and Parenting |
|---|---|----------------------|--|---|
| REVENUES: | | | | |
| 5700 Total Local and Intermediate Sources | \$ - | \$ - | \$ - | \$ - |
| 5800 State Program Revenues | - | 180,937 | - | 156,552 |
| 5900 Federal Program Revenues | 39,382 | - | 49,047 | - |
| 5020 Total Revenues | <u>39,382</u> | <u>180,937</u> | <u>49,047</u> | <u>156,552</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| 0011 Instruction | 1,742 | 180,937 | 35,261 | - |
| 0012 Instructional Resources & Media Services | - | - | - | - |
| 0013 Curriculum & Instructional Staff Development | - | - | 9,496 | - |
| 0021 Instructional Leadership | - | - | - | - |
| 0023 School Leadership | - | - | 3,840 | - |
| 0031 Guidance, Counseling & Evaluation Services | 37,640 | - | - | - |
| 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 | - | - | 450 | 156,552 |
| Capital Outlay: | | | | |
| 0081 Facilities Acquisition and Construction | - | - | - | - |
| 6030 Total Expenditures | <u>39,382</u> | <u>180,937</u> | <u>49,047</u> | <u>156,552</u> |
| 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> |

| 395 | 396 | 397 | 399 | 401 | 406 | 409 | 411 |
|----------------------|---------------------------------|----------------|------------------------------------|--------------------------------------|------------------------|-----------------------|-------------------------|
| Comp Dev Guidance | Advance Placement Testing | Shaken Baby | Staff Dev Investment Capital | Optional Extended Year Program | Accelerated Reading | Reading Initiative | Technology Allotment |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 310,000 | 6,175 | 4,811 | 49,047 | 290,212 | 412,524 | 112,253 | 586,037 |
| - | - | - | - | - | - | - | - |
| <u>310,000</u> | <u>6,175</u> | <u>4,811</u> | <u>49,047</u> | <u>290,212</u> | <u>412,524</u> | <u>112,253</u> | <u>586,037</u> |
| (90,341) | 2,183 | - | 35,989 | 167,241 | 385,256 | 94,862 | 210,497 |
| - | - | - | - | - | - | - | - |
| - | 3,992 | - | 13,058 | - | - | 17,391 | 397,544 |
| - | - | - | - | 117,334 | 27,268 | - | - |
| - | - | - | - | 2,474 | - | - | - |
| 400,341 | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | 4,811 | - | 3,163 | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>310,000</u> | <u>6,175</u> | <u>4,811</u> | <u>49,047</u> | <u>290,212</u> | <u>412,524</u> | <u>112,253</u> | <u>608,041</u> |
| - | - | - | - | - | - | - | (22,004) |
| - | - | - | - | - | - | - | 42,090 |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 20,086</u> |

**MIDLAND INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2003**

| Data Control Codes | 413 Telecom Infrastruct. Fund | 415 Kindergarten and Pre-K Grants | 418 Employee Health Insurance | 427 Read to Succeed |
|---|--|--|--|---------------------------|
| REVENUES: | | | | |
| 5700 Total Local and Intermediate Sources | \$ - | \$ - | \$ - | \$ - |
| 5800 State Program Revenues | 834,731 | 442,676 | 2,760,291 | 94 |
| 5900 Federal Program Revenues | - | - | - | - |
| 5020 Total Revenues | <u>834,731</u> | <u>442,676</u> | <u>2,760,291</u> | <u>94</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| 0011 Instruction | 602,332 | 441,677 | 1,613,961 | 25 |
| 0012 Instructional Resources & Media Services | - | 999 | 55,809 | 69 |
| 0013 Curriculum & Instructional Staff Development | 232,399 | - | 26,663 | - |
| 0021 Instructional Leadership | - | - | 15,667 | - |
| 0023 School Leadership | - | - | 156,001 | - |
| 0031 Guidance, Counseling & Evaluation Services | - | - | 78,406 | - |
| 0032 Social Work Services | - | - | 3,000 | - |
| 0033 Health Services | - | - | 40,654 | - |
| 0034 Student (Pupil) Transportation | - | - | 148,544 | - |
| 0035 Food Services | - | - | 234,311 | - |
| 0036 Cocurricular/Extracurricular Activities | - | - | 24,195 | - |
| 0041 General Administration | - | - | 40,502 | - |
| 0051 Plant Maintenance and Operations | - | - | 261,711 | - |
| 0052 Security and Monitoring Services | - | - | 22,604 | - |
| 0053 Data Processing Services | - | - | 12,013 | - |
| 0061 Community Services | - | - | 26,250 | - |
| Capital Outlay: | | | | |
| 0081 Facilities Acquisition and Construction | - | - | - | - |
| 6030 Total Expenditures | <u>834,731</u> | <u>442,676</u> | <u>2,760,291</u> | <u>94</u> |
| 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> |

| 428 | 465 | 485 | 499 | Total | Total |
|---------------|--------------|-------------|------------------|-------------------|-------------------|
| Advance | School to | Music | | Nonmajor | Nonmajor |
| Placement | Career | Plus | Storytelling | Special | Governmental |
| | Tech | | | Revenue Funds | Funds |
| \$ - | \$ 3,500 | \$ - | \$ 45,136 | \$ 59,047 | \$ 59,047 |
| - | - | - | - | 6,162,490 | 6,162,490 |
| 25,374 | - | - | - | 12,433,930 | 12,433,930 |
| <u>25,374</u> | <u>3,500</u> | <u>-</u> | <u>45,136</u> | <u>18,655,467</u> | <u>18,655,467</u> |
| 25,374 | 3,500 | - | - | 12,491,838 | 12,491,838 |
| - | - | - | - | 490,648 | 490,648 |
| - | - | - | 590 | 1,534,399 | 1,534,399 |
| - | - | - | - | 612,163 | 612,163 |
| - | - | - | - | 385,898 | 385,898 |
| - | - | - | - | 943,105 | 943,105 |
| - | - | - | - | 3,000 | 3,000 |
| - | - | - | - | 219,168 | 219,168 |
| - | - | - | - | 411,378 | 411,378 |
| - | - | - | - | 284,618 | 284,618 |
| - | - | - | 15,931 | 40,126 | 40,126 |
| - | - | - | - | 109,882 | 109,882 |
| - | - | - | - | 277,843 | 277,843 |
| - | - | - | 261 | 22,865 | 22,865 |
| - | - | - | - | 14,847 | 14,847 |
| - | - | - | - | 786,924 | 786,924 |
| - | - | - | - | 10,004 | 10,004 |
| <u>25,374</u> | <u>3,500</u> | <u>-</u> | <u>16,782</u> | <u>18,638,706</u> | <u>18,638,706</u> |
| - | - | - | 28,354 | 16,761 | 16,761 |
| - | - | - | - | 189,642 | 189,642 |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 28,354</u> | <u>\$ 206,403</u> | <u>\$ 206,403</u> |

MIDLAND INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF NET ASSETS
 PRIVATE PURPOSE TRUST FUNDS
 AUGUST 31, 2003

| | 801 | 802 | Total Private Purpose Trust Funds |
|--------------------------------|---------------------|-------------------------|--|
| | Scholarship Fund | Carver Impact Center | |
| ASSETS | | | |
| Current Assets: | | | |
| Cash and Cash Equivalents | \$ 39,169 | \$ - | \$ 39,169 |
| Investments - Current | 26,689 | - | 26,689 |
| Other Receivables | 14,500 | - | 14,500 |
| Inventories | - | 1,804 | 1,804 |
| Total Current Assets | <u>80,358</u> | <u>1,804</u> | <u>82,162</u> |
| Total Assets | <u>80,358</u> | <u>1,804</u> | <u>82,162</u> |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts Payable | - | 1,178 | 1,178 |
| Due to Other Funds | 22,566 | - | 22,566 |
| Payable from Restricted Assets | 57,792 | - | 57,792 |
| Total Current Liabilities | <u>80,358</u> | <u>1,178</u> | <u>81,536</u> |
| Total Liabilities | <u>80,358</u> | <u>1,178</u> | <u>81,536</u> |
| NET ASSETS | | | |
| Unrestricted Net Assets | - | 626 | 626 |
| Total Net Assets | <u>\$ -</u> | <u>\$ 626</u> | <u>\$ 626</u> |

MIDLAND INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PRIVATE PURPOSE TRUST FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2003

| Data Control Codes | 801 Scholarship Fund | 802 Carver Impact Center | Total Private Purpose Trust Funds |
|--|----------------------------|--------------------------------|--|
| ADDITIONS: | | | |
| Local and Intermediate Sources | \$ 16,513 | \$ 4,424 | \$ 20,937 |
| Total Additions | <u>16,513</u> | <u>4,424</u> | <u>20,937</u> |
| DEDUCTIONS: | | | |
| Professional and Contracted Services | - | 4,424 | 4,424 |
| Other Operating Costs | 16,622 | - | 16,622 |
| Total Deductions | <u>16,622</u> | <u>4,424</u> | <u>21,046</u> |
| Change in Net Assets | (109) | - | (109) |
| | | | |
| Total Net Assets - September 1 (Beginning) | <u>109</u> | <u>626</u> | <u>735</u> |
| | | | |
| Total Net Assets - August 31 (Ending) | <u>\$ -</u> | <u>\$ 626</u> | <u>\$ 626</u> |

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THE CORPORATION OF THE CITY OF TORONTO
OFFICE OF THE CHIEF FINANCIAL OFFICER
FINANCIAL STATEMENTS FOR THE YEAR ENDED 2011

| Account Name | 2011 | | 2010 |
|-----------------|---------|--------|--------|
| | Balance | Change | |
| ACCOUNT NAME | 2011 | 2010 | 2010 |
| CASH | 100.00 | 100.00 | 100.00 |
| RECEIVABLE | 200.00 | 200.00 | 200.00 |
| PROPERTY TAX | 300.00 | 300.00 | 300.00 |
| INVENTORY | 400.00 | 400.00 | 400.00 |
| DEFERRED | 500.00 | 500.00 | 500.00 |
| OTHER SCHEDULES | 600.00 | 600.00 | 600.00 |
| PROPERTY TAX | 700.00 | 700.00 | 700.00 |
| PROPERTY TAX | 800.00 | 800.00 | 800.00 |
| PROPERTY TAX | 900.00 | 900.00 | 900.00 |

OTHER SCHEDULES

**MIDLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2003**

| Last 10 Years Ended August 31 | (1) | (2) | (3) |
|----------------------------------|-------------|--------------|--|
| | Tax Rates | | Assessed/Appraised Value for School Tax Purposes |
| | Maintenance | Debt Service | |
| 1994 and prior years | \$ 1.25370 | \$ 0.13360 | \$ 3,606,422,230 |
| 1995 | 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 (School year under audit) | 1.50000 | 0.10500 | 4,515,685,844 |
| 1000 TOTALS | | | |

| (10) Beginning Balance 9/1/2002 | (20) Current Year's Total Levy | (31) Maintenance Collections | (32) Debt Service Collections | (40) Entire Year's Adjustments | (50) Ending Balance 8/31/2003 |
|--|---|------------------------------------|-------------------------------------|---|--|
| \$ 252,946 | \$ - | \$ 15,824 | \$ 1,686 | \$ 41,664 | \$ 193,772 |
| 104,660 | - | 4,031 | 430 | 1,774 | 98,425 |
| 113,631 | - | 5,556 | 576 | 1,444 | 106,055 |
| 118,997 | - | 9,874 | 1,015 | 2,661 | 105,447 |
| 150,395 | - | 25,209 | 3,898 | (5,202) | 126,490 |
| 218,699 | - | 51,297 | 4,768 | (996) | 163,630 |
| 353,458 | - | 89,074 | 6,717 | (4,403) | 262,070 |
| 569,875 | - | 185,471 | 17,187 | 12,378 | 354,839 |
| 1,537,571 | - | 772,451 | 56,646 | 67,849 | 640,625 |
| - | 70,931,610 | 64,963,942 | 4,547,476 | (32,560) | 1,452,752 |
| <u>\$ 3,420,232</u> | <u>\$ 70,931,610</u> | <u>\$ 66,122,729</u> | <u>\$ 4,640,399</u> | <u>\$ 84,609</u> | <u>\$ 3,504,105</u> |

MIDLAND INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2004-2005
 GENERAL AND SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2003
 FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION

| Account Number | Account Name | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|----------------|--------------|--------------|-----------------------|-------------|---------------------|-------------------|-----------------------|-------|
| | | School (702) | Tax Collections (703) | Supts (701) | Indirect Cost (750) | Direct Cost (720) | Miscellaneous (other) | Total |

| | | | | | | | | |
|-----------|--|-----------|------------|------------|--------------|----------|------|--------------|
| 611X-6146 | PAYROLL COSTS | \$ - | \$ - | \$ 274,507 | \$ 1,910,080 | \$ - | \$ - | \$ 2,184,587 |
| 6149 | Leave for Separating Employees in Fn 41 & 53 | - | - | - | 46,941 | - | - | 46,941 |
| 6149 | Leave - Separating Employees not in 41 & 53 | - | - | - | - | - | - | - |
| 6211 | Legal Services | 46,802 | - | - | - | - | - | 46,802 |
| 6212 | Audit Services | - | - | - | 71,935 | - | - | 71,935 |
| 6213 | Tax Appraisal and Collection | - | 902,214 | - | - | - | - | 902,214 |
| 621X | Other Professional Services | 43 | 232 | - | 335,937 | - | - | 336,212 |
| 6220 | Tuition and Transfer Payments | - | - | - | - | - | - | - |
| 6230 | Education Service Centers | - | - | - | - | - | - | - |
| 6240 | Contr. Maint. and Repair | - | - | - | - | 5,347 | - | 5,347 |
| 6250 | Utilities | - | - | - | - | - | - | - |
| 6260 | Rentals | - | - | - | - | - | - | - |
| 6290 | Miscellaneous Contr. | - | - | - | 134,704 | - | - | 134,704 |
| 6320 | Textbooks and Reading | - | - | - | - | - | - | - |
| 6330 | Testing Materials | - | - | - | - | - | - | - |
| 63XX | Other Supplies Materials | 11,897 | 2,805 | - | 102,804 | - | - | 117,506 |
| 6410 | Travel, Subsistence, Stipends | 19,345 | - | 13,615 | 52,469 | - | - | 85,429 |
| 6420 | Ins. and Bonding Costs | - | - | - | 122,369 | - | - | 122,369 |
| 6430 | Election Costs | - | - | - | 63,660 | - | - | 63,660 |
| 6490 | Miscellaneous Operating | 6,159 | 6,643 | - | 7,256 | - | - | 20,058 |
| 6500 | Debt Service | - | - | - | - | - | - | - |
| 6600 | Capital Outlay | - | - | - | - | - | - | - |
| 6000 | TOTAL | \$ 84,246 | \$ 911,894 | \$ 288,122 | \$ 2,848,155 | \$ 5,347 | \$ - | \$ 4,137,764 |

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 139,530,245

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)

Total Debt & Lease(6500)

Plant Maintenance (Function 51, 6100-6400)

Food (Function 35, 6341 and 6499)

Stipends (6413)

Column 4 (above) - Total Indirect Cost

SubTotal:

Net Allowed Direct Cost

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)

Historical Cost of Buildings over 50 years old

Amount of Federal Money in Building Cost (Net of #16)

Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)

Historical Cost of Furniture & Equipment over 16 years old

Amount of Federal Money in Furniture & Equipment (Net of #19)

No amounts in Function 53 expenditures are included in this report on administrative costs.

(8) NOTE A:

MIDLAND INDEPENDENT SCHOOL DISTRICT
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
 GENERAL FUND AS OF AUGUST 31, 2003

UNAUDITED

| | | | |
|---|--|-------------------|------------------------------|
| 1 | Total General Fund Balance as of 8/31/03 | | \$ 21,222,195 |
| 2 | Total Reserved Fund Balance - General Fund Only | \$ 1,811,197 | |
| 3 | Total Designated Fund Balance - 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.) | 18,504,470 | |
| 5 | Estimate of one month's average cash disbursements during the regular school session (9/1/03-5/31/04). | <u>10,200,422</u> | |
| 6 | Optimum Fund Balance and Cash Flow (Lines 2+3+4+5) | | <u>30,516,089</u> |
| 7 | Excess (Deficit) Undesignated Unreserved General Fund Balance (Line 1 minus Line 6) | | <u><u>\$ (9,293,894)</u></u> |

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

MIDLAND INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
CHILD NUTRITION PROGRAM
AUGUST 31, 2003

| Data Control Codes | Budgeted Amounts | | Actual Amounts (GAAP BASIS) | Variance With Final Budget Positive or (Negative) | |
|--------------------------|--|--------------|--------------------------------|--|------------|
| | Original | Final | | | |
| REVENUES: | | | | | |
| 5700 | Total Local and Intermediate Sources | \$ 2,088,600 | \$ 2,226,295 | \$ 2,312,318 | \$ 86,023 |
| 5900 | Federal Program Revenues | 4,788,421 | 5,100,726 | 5,610,684 | 509,958 |
| 5020 | Total Revenues | 6,877,021 | 7,327,021 | 7,923,002 | 595,981 |
| EXPENDITURES: | | | | | |
| 0035 | Food Services | 6,877,021 | 7,327,021 | 7,067,485 | 259,536 |
| 6030 | Total Expenditures | 6,877,021 | 7,327,021 | 7,067,485 | 259,536 |
| 1200 | Net Change in Fund Balances | - | - | 855,517 | 855,517 |
| 0100 | Fund Balance - September 1 (Beginning) | 3,328,850 | 3,328,850 | 3,328,850 | - |
| 3000 | Fund Balance - August 31 (Ending) | \$ 3,328,850 | \$ 3,328,850 | \$ 4,184,367 | \$ 855,517 |

MIDLAND INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
AUGUST 31, 2003

| Data Control Codes | Budgeted Amounts | | Actual Amounts (GAAP BASIS) | Variance With Final Budget Positive or (Negative) | |
|--|---|--------------|--------------------------------|--|--------------|
| | Original | Final | | | |
| REVENUES: | | | | | |
| 5700 | Total Local and Intermediate Sources | \$ 4,646,304 | \$ 4,718,499 | \$ 4,780,165 | \$ 61,666 |
| 5800 | State Program Revenues | 2,011,430 | 2,237,000 | 2,134,683 | (102,317) |
| 5020 | Total Revenues | 6,657,734 | 6,955,499 | 6,914,848 | (40,651) |
| EXPENDITURES: | | | | | |
| 0071 | Debt Service - Principal on long-term debt | 6,657,734 | 2,103,490 | 4,254,998 | (2,151,508) |
| 0072 | Debt Service - Interest on long-term debt | - | 4,759,244 | 2,607,422 | 2,151,822 |
| 0073 | Debt Service - Bond Issuance Cost and Fees | - | 92,765 | 52,428 | 40,337 |
| 6030 | Total Expenditures | 6,657,734 | 6,955,499 | 6,914,848 | 40,651 |
| 1100 | Excess (Deficiency) of Revenues Over (Under) Expenditures | - | - | - | - |
| OTHER FINANCING SOURCES (USES): | | | | | |
| 7911 | Capital-related Debt Issued (Regular Bonds) | - | - | 16,499,651 | 16,499,651 |
| 8949 | Other (Uses) | - | - | (16,494,857) | (16,494,857) |
| 7080 | Total Other Financing Sources (Uses) | - | - | 4,794 | 4,794 |
| 1200 | Net Change in Fund Balances | - | - | 4,794 | 4,794 |
| 0100 | Fund Balance - September 1 (Beginning) | 3,841,909 | 3,841,909 | 3,841,909 | - |
| 3000 | Fund Balance - August 31 (Ending) | \$ 3,841,909 | \$ 3,841,909 | \$ 3,846,703 | \$ 4,794 |

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FEDERAL AWARDS SECTION

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING 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, 2003, and have issued our report thereon dated December 19, 2003. 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.

Compliance

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 that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 19, 2003.

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.

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 misstatements 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that

might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the District in a separate letter dated December 19, 2003.

This report is intended for the information and use of the audit committee, management, federal awarding agencies, 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

Midland, Texas
December 19, 2003



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, 2003. 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 August 31, 2003 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, 2003. 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 audit committee, management, federal awarding agencies, 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

Midland, Texas
December 19, 2003

**MIDLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2003**

| | |
|--|---|
| SUMMARY OF THE AUDITORS' RESULTS | |
| PROGRAM | DESCRIPTION |
| 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 | 84.027 IDEA-B Part B, Formula 84.027 IDEA-B Part B, Cap Bldg & Improvement 84.027 IDEA-B, Discretionary 84.027 IDEA-B, Deaf 84.173 IDEA-B, Preschool 84.173 IDEA-B, Preschool Deaf 84.186A Title IV, Part A SDFSC 84.048A Carl D. Perkins Grant for Career & Technology 84.367A Title II, Part A, TPTR 84.298 ESEA Title V, Part A Innovative 93.600 Head Start |
| | \$300,000 |
| Low Risk Auditee Statements | Midland Independent School District was classified as a low-risk auditee in the context of OMB Circular A-133. |
| FINDINGS RELATING TO THE FINANICAL STATEMENTS REQUIRED TO BE REPORTED UNDER GAGAS | None |
| FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS | None |

**MIDLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2003**

NONE

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

Condition: During the course of our audit we noted an out of balance journal entry and ten out of balance general ledger funds.

Status: Finding not repeated in current year.

MIDLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2003

| (1) | (2) | (3) | (4) |
|---|---------------------------|--|-------------------------|
| FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE | Federal CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures |
| <u>U.S. DEPARTMENT OF DEFENSE</u> | | | |
| <u>Air Force Jr ROTC</u> | | | |
| Air Force Jr ROTC | N/A | N/A | \$ 7,834 |
| Total Air Force Jr ROTC | | | <u>7,834</u> |
| TOTAL DEPARTMENT OF DEFENSE | | | <u>7,834</u> |
| <u>U.S. DEPARTMENT OF EDUCATION</u> | | | |
| <u>Direct Programs</u> | | | |
| Magnet Schools Assitance | 84.165A | S165A010077-02 | 984,412 |
| Total Direct Programs | | | <u>984,412</u> |
| <u>Passed -Through Region XIV ESC</u> | | | |
| Title IV Community Service Grant | 84.184C | 369150112014 | 39,382 |
| Total Passed -Through Region XIV ESC | | | <u>39,382</u> |
| <u>Passed-Through Region XVII ESC</u> | | | |
| Texas PK-12 Learn & Serve America | 94.004 | 253000112014 | 21,045 |
| Total Passed-Through Region XVII ESC | | | <u>21,045</u> |
| <u>Passed Through State Department of Education</u> | | | |
| 211 Title I, Part A | 84.010A | 3610101165901 | 4,689,512 |
| 212 ESEA Title I Part C - Migratory Children | 84.011 | 361500116590133 | 133,414 |
| 224 IDEA - Part B, Formula | 84.027 | 366000116590133 | 1,964,075 |
| 224 IDEA-Part B, Cap Bldg & Improvement | 84.027 | 366000416590133 | 2,072,494 |
| 226 IDEA - Part B, Discretionary | 84.027 | 366000216590133 | 5,677 |
| 227 IDEA - Part B, Deaf | 84.027 | 366000116590133 | 7,188 |
| Total CFDA Number 84.027 | | | <u>4,049,434</u> |
| Carl D Perkins Basic Grant For Career & Technology | 84.048A | 342000616590118 | 447,050 |
| 228 IDEA - Part B, Preschool | 84.173 | 366100116590133 | 82,494 |
| 228 IDEA - Part B, Preschool Deaf | 84.173 | 366100116590133 | 1,947 |
| Total CFDA Number 84.173 | | | <u>84,441</u> |
| 213 IDEA, Part B - Deaf | 84.181 | 339110116590133 | 319 |
| 204 Title IV, Part A, SDFSC | 84.186A | 3691001165901 | 152,333 |
| 220 Bilingual Prof Dev | 84.195A | T195A010022-02 | 154,251 |
| 219 Title VII - Bilingual | 84.195B | T195B000076-02 | 214,070 |
| 269 Title V, Part A, Innovative | 84.298 | 3685001165901 | 109,808 |
| 262 Title II, Part D Technology | 84.318X | 2630001165901 | 121,217 |
| 256 ESEA Title I Comprehensive School Reform | 84.332A | 361600116590111 | 136,718 |
| 263 Title III, Part A | 84.365 | 3671001165901 | 84,032 |
| 255 Title II, Part A, TPTR | 84.367A | 3694501165901 | 909,927 |
| Total Passed Through State Department of Education | | | <u>11,286,526</u> |

MIDLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2003

| (1) | (2) | (3) | (4) |
|---|---------------------------|--|-------------------------|
| FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE | Federal CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures |
| TOTAL DEPARTMENT OF EDUCATION | | | <u>12,331,365</u> |
| <u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u> | | | |
| <u>Passed Through State Department of Education</u> | | | |
| Head Start | 93.600 | 06CH6994/33 | \$ 1,943,228 |
| Total Passed Through State Department of Education | | | <u>1,943,228</u> |
| TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | <u>1,943,228</u> |
| <u>U.S. DEPARTMENT OF AGRICULTURE</u> | | | |
| <u>Passed Through State Department of Education</u> | | | |
| National School Breakfast & Lunch Program* | 10.555 | N/A | 5,610,681 |
| Summer Feeding Program | 10.559 | 165-1002 | 50,307 |
| Total Passed Through State Department of Education | | | <u>5,660,988</u> |
| TOTAL DEPARTMENT OF AGRICULTURE | | | <u>5,660,988</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u>\$ 19,943,415</u> |

*Clustered Programs as required by Compliance Supplement March, 2003

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**MIDLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2003**

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.

Tracy Jordan