

MIDLAND INDEPENDENT SCHOOL DISTRICT

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ANNUAL FINANCIAL REPORT

for year ended
August 31, 2001

E D U C A T I N G T H E F U T U R E !

MIDLAND INDEPENDENT SCHOOL DISTRICT

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CERTIFICATE OF BOARD

MIDLAND
COUNTY

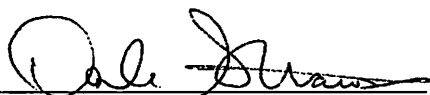
Midland Independent School
District

165-901

Name

County-District No.

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and () approved () disapproved for the year ended August 31, 2001, at a meeting of the Board of Trustees of such school district on the 11 th day of DECEMBER, 2001.



Signature of Board President

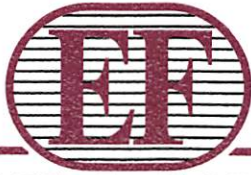


Signature of Board Secretary

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FINANCIAL SECTION

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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 general-purpose financial statements of Midland Independent School District, (the "District"), as of and for the year ended August 31, 2001, as listed in the foregoing table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 general-purpose financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Midland Independent School District as of August 31, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2001 on our consideration of Midland Independent School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District, taken as a whole. 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, in addition to the combining statements and other schedules listed in the table of contents are not a required part of the general-purpose financial statements. This additional information is the responsibility of the District's management. Such information, except for that portion marked unaudited, on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Midland, Texas
October 31, 2001

STATE OF CALIFORNIA
DEPARTMENT OF REVENUE
SAN FRANCISCO, CALIFORNIA

GENERAL-PURPOSE FINANCIAL STATEMENTS

STATE OF CALIFORNIA
DEPARTMENT OF REVENUE
SAN FRANCISCO, CALIFORNIA

**MIDLAND INDEPENDENT SCHOOL DISTRICT
 COMBINED BALANCE SHEET- ALL FUND TYPES AND ACCOUNT GROUPS
 AUGUST 31, 2001
 (WITH COMPARATIVE TOTALS FOR AUGUST 31, 2000)**

Data Control Codes	GOVERNMENTAL FUND TYPES			
	100-199 General Fund	200-499 Special Revenue Funds	500-599 Debt Service Fund	600-699 Capital Project Funds
ASSETS AND OTHER DEBITS				
1110 Cash and Temporary Investments (market)	\$ 22,866,562	\$ 3,579,646	\$ 3,158,826	\$ -
1220 Property Taxes - Delinquent	2,899,128	-	256,507	-
1230 Allowance for Uncollectible Taxes (credit)	(1,211,703)	-	(107,208)	-
1240 Due from Other Governments	3,641,729	2,438,820	-	-
1260 Due from Other Funds	2,721,763	23,399	-	-
1290 Other Receivables	75,770	6,035	-	-
1310 Inventories, at Cost	1,198,422	704,901	-	-
1490 Other Current Assets	117,167	2,733	-	-
1510 Land	-	-	-	-
1520 Buildings and Improvements	-	-	-	-
1530 Furniture and Equipment	-	-	-	-
1550 Leased Property under Capital Leases	-	-	-	-
1580 Construction in Progress	-	-	-	-
1600 Amounts to be Provided	-	-	-	-
1700 Amounts Available	-	-	-	-
1000 Total Assets and Other Debits	<u>\$ 32,308,838</u>	<u>\$ 6,755,534</u>	<u>\$ 3,308,125</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

PROPRIETARY FUND TYPES	FIDUCIARY FUND TYPES	ACCOUNT GROUPS		TOTALS (Memorandum Only)	
		750-799	800-899	901	902
Internal Service Fund	Trust and Agency Funds	General Fixed Assets	General Long Term Debt	August 31, 2001	August 31, 2000
\$ 3,042,902	\$ 1,764,595	\$ -	\$ -	\$ 34,412,531	\$ 40,093,000
-	-	-	-	3,155,635	3,356,220
-	-	-	-	(1,318,911)	(1,985,269)
-	-	-	-	6,080,549	4,517,228
82,736	300	-	-	2,828,198	2,575,887
564	2,193	-	-	84,562	10,677
-	1,877	-	-	1,905,200	1,935,471
-	-	-	-	119,900	1,025,167
-	-	5,821,229	-	5,821,229	6,050,991
-	-	133,266,882	-	133,266,882	130,281,474
-	-	11,244,745	-	11,244,745	21,497,790
-	-	327,219	-	327,219	332,523
-	-	-	-	-	4,792,301
-	-	-	62,777,011	62,777,011	67,578,587
-	-	-	2,891,602	2,891,602	2,811,515
<u>\$ 3,126,202</u>	<u>\$ 1,768,965</u>	<u>\$ 150,660,075</u>	<u>\$ 65,668,613</u>	<u>\$ 263,596,352</u>	<u>\$ 284,873,562</u>

MIDLAND INDEPENDENT SCHOOL DISTRICT
COMBINED BALANCE SHEET- ALL FUND TYPES AND ACCOUNT GROUPS
AUGUST 31, 2001
(WITH COMPARATIVE TOTALS FOR AUGUST 31, 2000)

Data Control Codes	GOVERNMENTAL FUND TYPES				
	100-199 General Fund	200-499 Special Revenue Funds	500-599 Debt Service Fund	600-699 Capital Project Funds	
LIABILITIES					
2110	Accounts Payable	\$ 1,059,867	\$ 1,006,525	\$ 250	\$ -
2120	Bonds and Obligations Payable - Current Year	-	-	-	-
2130	Capital Leases Payable - Current Year	-	-	-	-
2140	Interest Payable	-	-	64,735	-
2150	Payroll Deductions and Withholdings Payable	730,054	-	-	-
2160	Accrued Wages Payable	2,425,864	437,204	-	-
2170	Due to Other Funds	46,846	2,576,321	-	-
2180	Due to Other Governments	10,273,168	78,710	202,239	-
2190	Due to Student Groups	-	-	-	-
2300	Deferred Revenues	1,945,990	54,005	149,299	-
2400	Payable from Restricted Assets	-	-	-	-
2510	Bonds Payable - Long Term	-	-	-	-
2520	Obligations Payable - Long Term	-	-	-	-
2530	Other Long-Term Debt Payable	-	-	-	-
2000	Total Liabilities	<u>\$ 16,481,789</u>	<u>\$ 4,152,765</u>	<u>\$ 416,523</u>	<u>\$ -</u>
FUND EQUITY AND OTHER CREDITS					
3100	Investments in Fixed Assets	\$ -	\$ -	\$ -	\$ -
3300	Retained Earnings	-	-	-	-
Reserved Fund Balance					
3410	Investments in Inventory	1,198,422	704,901	-	-
3420	Retirement of Long-Term Debt	-	-	2,891,602	-
3440	Outstanding Encumbrances	995,330	207,145	-	-
3450	Food Service	-	1,878,155	-	-
3470	Capital Acquisition Program	-	-	-	-
3600	Unreserved, Undesignated Fund Balance	13,633,297	(187,432)	-	-
3000	Total Fund Equity and Other Credits	<u>\$ 15,827,049</u>	<u>\$ 2,602,769</u>	<u>\$ 2,891,602</u>	<u>\$ -</u>
4000	Total Liabilities, Fund Equity, and Other Credits	<u><u>\$ 32,308,838</u></u>	<u><u>\$ 6,755,534</u></u>	<u><u>\$ 3,308,125</u></u>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of this statement.

PROPRIETARY FUND TYPES	FIDUCIARY FUND TYPES	ACCOUNT GROUPS		TOTALS (Memorandum Only)	
		750-799	800-899	901	902
Internal Service Fund	Trust and Agency Funds	General Fixed Assets	General Long Term Debt	August 31, 2001	August 31, 2000
\$ 25	\$ 357,611	\$ -	\$ -	\$ 2,424,278	\$ 3,013,728
-	-	-	5,470,000	5,470,000	5,460,000
-	-	-	66,190	66,190	62,313
-	-	-	-	64,735	12,856
-	-	-	-	730,054	134,979
-	-	-	-	2,863,068	3,236,221
183,866	21,165	-	-	2,828,198	2,575,887
-	-	-	-	10,554,117	9,801,776
-	450,885	-	-	450,885	471,372
-	-	-	-	2,149,294	1,651,756
2,581,244	939,304	-	-	3,520,548	1,931,828
-	-	-	56,147,438	56,147,438	60,414,050
-	-	-	1,180,000	1,180,000	1,725,000
-	-	-	2,804,985	2,804,985	2,728,739
<u>\$ 2,765,135</u>	<u>\$ 1,768,965</u>	<u>\$ -</u>	<u>\$ 65,668,613</u>	<u>\$ 91,253,790</u>	<u>\$ 93,220,505</u>
\$ -	\$ -	\$ 150,660,075	\$ -	\$ 150,660,075	\$ 162,955,079
361,067	-	-	-	361,067	1,018,060
-	-	-	-	1,903,323	1,933,228
-	-	-	-	2,891,602	2,811,515
-	-	-	-	1,202,475	2,026,172
-	-	-	-	1,878,155	1,429,488
-	-	-	-	-	4,520,894
-	-	-	-	13,445,865	14,958,621
<u>\$ 361,067</u>	<u>\$ -</u>	<u>\$ 150,660,075</u>	<u>\$ -</u>	<u>\$ 172,342,562</u>	<u>\$ 191,653,057</u>
<u>\$ 3,126,202</u>	<u>\$ 1,768,965</u>	<u>\$ 150,660,075</u>	<u>\$ 65,668,613</u>	<u>\$ 263,596,352</u>	<u>\$ 284,873,562</u>

**MIDLAND INDEPENDENT SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
 YEAR ENDED AUGUST 31, 2001 (WITH COMPARATIVE TOTALS FOR 2000)**

Data Control Codes	GOVERNMENTAL FUND TYPES		
	100-199 General Fund	200-499 Special Revenue Funds	500-599 Debt Service Fund
REVENUES:			
Local and Intermediate Sources:			
	\$ 1,670,138	\$ 119,980	\$ 276,403
	61,689,255	2,242,778	5,471,477
5700	63,359,393	2,362,758	5,747,880
5800	47,967,808	2,968,752	2,032,944
5900	278,229	12,566,744	-
5020	111,605,430	17,898,254	7,780,824
EXPENDITURES:			
Current:			
0010	72,194,307	8,575,673	-
0020	8,067,166	570,618	-
0030	12,287,040	7,740,626	-
0040	3,239,381	24,384	-
0050	16,482,193	39,662	-
0060	209,048	570,092	-
0070	651,987	-	7,700,737
0080	284,771	-	-
6030	113,415,893	17,521,055	7,700,737
1100	(1,810,463)	377,199	80,087
7020	438,713	-	-
8030	(415,806)	-	-
1200	(1,787,556)	377,199	80,087
0100	17,614,605	2,225,570	2,811,515
3000	\$ 15,827,049	\$ 2,602,769	\$ 2,891,602

The accompanying notes are an integral part of this statement.

<u>TOTALS</u> (Memorandum Only)		
600-699 Capital Project Funds	98 August 31, 2001	97 August 31, 2000
\$ 191,439	\$ 2,257,960	\$ 2,888,013
-	69,403,510	64,661,975
<u>191,439</u>	<u>71,661,470</u>	<u>67,549,988</u>
-	52,969,504	52,475,235
-	12,844,973	12,776,224
<u>191,439</u>	<u>137,475,947</u>	<u>132,801,447</u>
-	80,769,980	78,297,518
-	8,637,784	8,308,360
-	20,027,666	19,691,416
-	3,263,765	3,413,065
-	16,521,855	15,859,047
-	779,140	740,108
-	8,352,724	8,032,907
5,286,841	5,571,612	13,352,475
<u>5,286,841</u>	<u>143,924,526</u>	<u>147,694,896</u>
(5,095,402)	(6,448,579)	(14,893,449)
415,806	854,519	2,426,063
(348,632)	(764,438)	(8,925)
<u>(5,028,228)</u>	<u>(6,358,498)</u>	<u>(12,476,311)</u>
5,028,228	27,679,918	40,156,229
<u>\$ -</u>	<u>\$ 21,321,420</u>	<u>\$ 27,679,918</u>

MIDLAND INDEPENDENT SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET (GAAP BASIS) AND ACTUAL
GENERAL, BUDGETED SPECIAL REVENUE, AND DEBT SERVICE FUNDS
YEAR ENDED AUGUST 31, 2001

Data Control Codes	1B	100-199 General Fund	Variance
	BUDGET	ACTUAL	Favorable (Unfavorable)
REVENUES:			
Local and Intermediate Sources:			
	\$ 1,150,000	\$ 1,670,138	\$ 520,138
	61,878,335	61,689,255	(189,080)
5700 Total Local and Intermediate Sources	<u>63,028,335</u>	<u>63,359,393</u>	<u>331,058</u>
5800 State Program Revenues	48,257,448	47,967,808	(289,640)
5900 Federal Program Revenues	273,161	278,229	5,068
5020 Total Revenues	<u>111,558,944</u>	<u>111,605,430</u>	<u>46,486</u>
EXPENDITURES:			
Current:			
0010 Instruction and Instructional-Related Services	72,878,886	72,194,307	684,579
0020 Instructional and School Leadership	8,155,494	8,067,166	88,328
0030 Support Services - Student (Pupil)	12,931,175	12,287,040	644,135
0040 Administrative Support Services	3,355,851	3,239,381	116,470
0050 Support Services - Nonstudent Based	16,712,620	16,482,193	230,427
0060 Ancillary Services	217,755	209,048	8,707
0070 Debt Service	652,003	651,987	16
0080 Capital Outlay	676,000	284,771	391,229
6030 Total Expenditures	<u>115,579,784</u>	<u>113,415,893</u>	<u>2,163,891</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,020,840)	(1,810,463)	2,210,377
7020 Other Resources	-	438,713	438,713
8030 Other (Uses)	-	(415,806)	(415,806)
1200 Excess (Deficiency) of Revenues & Other Resources Over (Under) Expenditures and Other Uses	<u>(4,020,840)</u>	<u>(1,787,556)</u>	<u>2,233,284</u>
0100 Fund Balance - September 1 (Beginning)	<u>17,614,605</u>	<u>17,614,605</u>	-
3000 Fund Balance - August 31 (Ending)	<u>\$ 13,593,765</u>	<u>\$ 15,827,049</u>	<u>\$ 2,233,284</u>

The accompanying notes are an integral part of this statement.

2B Budgeted Special Revenue Funds			5B Debt Service Fund		
BUDGET	200-499 ACTUAL	Variance Favorable (Unfavorable)	BUDGET	500-599 ACTUAL	Variance Favorable (Unfavorable)
\$ 100,000	\$ 119,980	\$ 19,980	\$ 250,000	\$ 276,403	\$ 26,403
2,223,367	2,242,778	19,411	5,470,677	5,471,477	800
2,323,367	2,362,758	39,391	5,720,677	5,747,880	27,203
3,025,144	2,968,752	(56,392)	2,398,460	2,032,944	(365,516)
12,743,548	12,566,744	(176,804)	-	-	-
18,092,059	17,898,254	(193,805)	8,119,137	7,780,824	(338,313)
9,075,246	8,575,673	499,573	-	-	-
805,887	570,618	235,269	-	-	-
8,133,469	7,740,626	392,843	-	-	-
24,384	24,384	-	-	-	-
48,888	39,662	9,226	-	-	-
587,592	570,092	17,500	-	-	-
-	-	-	7,749,137	7,700,737	48,400
-	-	-	-	-	-
18,675,466	17,521,055	1,154,411	7,749,137	7,700,737	48,400
(583,407)	377,199	960,606	370,000	80,087	(289,913)
-	-	-	-	-	-
-	-	-	-	-	-
(583,407)	377,199	960,606	370,000	80,087	(289,913)
2,225,570	2,225,570	-	2,811,515	2,811,515	-
\$ 1,642,163	\$ 2,602,769	\$ 960,606	\$ 3,181,515	\$ 2,891,602	\$ (289,913)

MIDLAND INDEPENDENT SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES
YEAR ENDED AUGUST 31, 2001
(WITH COMPARATIVE TOTALS FOR AUGUST 31, 2000)

Data Control Codes	PROPRIETARY FUND TYPES	TOTALS (Memorandum Only)		
		750-799 Internal Service Fund	98 August 31, 2001	97 August 31, 2000
OPERATING REVENUES:				
5700	Local and Intermediate Sources	\$ 5,685,522	\$ 5,685,522	\$ 1,309,303
5020	Total Revenues	<u>5,685,522</u>	<u>5,685,522</u>	<u>1,309,303</u>
OPERATING EXPENSES:				
6100	Payroll Costs	182,448	182,448	-
6200	Professional and Contracted Services	3,794	3,794	-
6300	Supplies and Materials	3,037	3,037	1,997
6400	Other Operating Costs	6,241,834	6,241,834	580,970
6030	Total Expenses	<u>6,431,113</u>	<u>6,431,113</u>	<u>582,967</u>
1100	Operating Income (Loss)	(745,591)	(745,591)	726,336
7020	Non-Operating Revenue	88,598	88,598	88,493
8030	Non-Operating Expenses	-	-	-
1300	Net Income (Loss)	(656,993)	(656,993)	814,829
EQUITY:				
0100	Retained Earnings - September 1 (Beginning)	<u>1,018,060</u>	<u>1,018,060</u>	<u>203,231</u>
3300	Retained Earnings August 31, (Ending)	<u>\$ 361,067</u>	<u>\$ 361,067</u>	<u>\$ 1,018,060</u>

The accompanying notes are an integral part of this statement.

MIDLAND INDEPENDENT SCHOOL DISTRICT
 COMBINED STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND TYPES
 YEAR ENDED AUGUST 31, 2001
 (WITH COMPARATIVE TOTALS FOR AUGUST 31, 2000)

	PROPRIETARY FUND TYPES	TOTALS (Memorandum Only)	
	750-799 Internal Service Fund	98 August 31, 2001	97 August 31, 2000
<u>Cash Flows from Operating Activities:</u>			
Operating Income (Loss):	\$ (745,591)	\$ (745,591)	\$ 726,336
Effect of Increases and Decreases in Current Assets and Liabilities:			
Decrease in Accounts Payable	(65)	(65)	(1,387)
Increase in Other Receivables	(71)	(71)	(493)
Increase in Due from Other Funds	(80,800)	(80,800)	2,590
Decrease in Due to Other Funds	(727,544)	(727,544)	746,870
Decrease in Prepaid Assets	904,095	904,095	(904,095)
Increase in Payable from Restricted Assets	1,386,158	1,386,158	(181,360)
Net Cash Provided by Operating Activities	<u>736,182</u>	<u>736,182</u>	<u>388,461</u>
<u>Cash Flows from Investing Activities:</u>			
Interest and Dividends on Investments	<u>88,598</u>	<u>88,598</u>	<u>88,493</u>
Net Increase in Cash and Cash Equivalents	824,780	824,780	476,954
Cash and Cash Equivalents at Beginning of the Year:	<u>2,218,122</u>	<u>2,218,122</u>	<u>1,741,168</u>
Cash and Cash Equivalents at the End of the Year:	<u>\$ 3,042,902</u>	<u>\$ 3,042,902</u>	<u>\$ 2,218,122</u>

The accompanying notes are an integral part of this statement.

**MIDLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2001**

NOTE A: REPORTING ENTITY

The Board of School Trustees, a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of Midland Independent School District (the "District"). Because members of the Board of Trustees (the "Board") are elected by the public; have the authority to make decisions, appoint administrators and managers, and significantly influence operations; and have the primary accountability for fiscal matters; the District is not included in any other governmental "reporting entity" as defined by Governmental Accounting Standard Board ("GASB"), Statement No. 14, "The Financial Reporting Entity." There are not component units included within the reporting entity.

The District receives funding from local, state, and federal government sources and must comply with requirements of these funding entities.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Midland Independent School District substantially comply with the rules prescribed in the Texas Education Agency's Financial Accountability System Resource Guide (the "Resource Guide"). The accounting policies included in the Resource Guide conform to generally accepted accounting principles applicable to governmental units.

1. The District utilizes the fund types specified in the Resource Guide.

a. Governmental fund types include the following:

General Fund - is used to account for financial resources used for general operations. Any fund balances are considered resources available for current operations. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund.

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.

Debt Service Fund - is used to account for revenues collected to pay interest and related costs and to retire long-term debt.

Capital Projects Fund - is used to account for proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions.

b. Proprietary fund types include the following:

Internal Service Fund - is used to account for revenues and expenses related to services provided to parties inside the District for the operation of its workman's compensation and health insurance plans on a cost-reimbursement basis when fully insured and its self insurance for its dental, worker's compensation and health insurance plans.

(continued)

**MIDLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2001**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Fiduciary fund types include the following:

Agency Funds - are custodial in nature and are used to account for clearing accounts and the activities of student groups. The student activity organizations exist with the explicit approval of, and are subject to revocation by, the District's Board of Education.

2. The District accounts for property and equipment and long-term liabilities of the governmental funds through the following account groups: the General Fixed Assets Account Group ("GFAAG") and the General Long-Term Debt Account Group ("GLTDAG"). Property and equipment of proprietary funds are accounted for in those funds. Fixed assets are recorded at historical cost or estimated market value, if donated. Fixed assets in the GFAAG are not depreciated; fixed assets accounted for in proprietary funds are depreciated using the straight-line method with lives ranging from three to ten years. Interest expense during construction of assets is not capitalized.
3. 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. 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 financing 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. The District considers all revenues available if they are collectible within 60 days after year end.

Revenue 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, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

The Proprietary Fund Type is accounted for on a flow of economic resources measurement focus and utilizes 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 balance sheet. Fund equity is segregated into contributed capital and retained earning components.

(continued)

**MIDLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2001**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. The official budget was prepared for adoption for all Governmental Fund Types. The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:
 - a. Prior to August 20 of the preceding fiscal year, 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.
 - b. A meeting of the board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
 - c. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board.

Once a budget is approved, it can be amended at the function and fund level only 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. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law. During the year, several amendments were necessary. There were no significant budget amendments passed during the 2000-01 school year.

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.

5. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. End-of-year outstanding encumbrances that were provided for in the subsequent year's budget are presented below:

General Fund	\$	995,330
Special Revenue Fund	\$	207,145

A reservation of fund balance equal to outstanding encumbrances at year-end is provided for at August 31, 2001.

6. For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.
7. Inventories of supplies on the balance sheet are stated at weighted average cost. Inventory items are recorded as expenditures when they are consumed. Supplies are used for almost all functions of activity, while food inventories are used only in the food service program. 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 deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount. Inventories also include plant maintenance and operation supplies as well as instructional supplies.
8. Data Control codes refer to the account code structure prescribed by the TEA in the *Financial Accountability System Resource Guide*.
9. Deferred revenue accounted for on the balance sheet of the general fund and the debt service fund relates to uncollected property taxes less the amount for doubtful accounts.

(continued)

**MIDLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2001**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Due to Other Governments presented on the balance sheet of the general fund and the debt service fund relates to excess Foundation School program funds received from the Texas Education Agency over earned state aid.
11. Memorandum Only - the total columns presented in the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. No consolidation entries or other eliminations were made and do not purport to present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles.
12. In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts 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 estimates.
13. Comparative total data for the prior year has been presented in accompanying financial statements in order to provide an understanding of the changes in the District's financial position and operations. Certain reclassifications have been made to prior year data to conform to the current year presentation.

NOTE C: DEPOSITS AND INVESTMENTS

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities 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. The Public Funds Investment Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the general purpose financial statements, disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the district adhered to the requirements of the Act. Additionally, investment practices of the district were in accordance with local policies.

At August 31, 2001, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$34,412,531 and the bank balance was \$35,099,577. The District's cash deposits at August 31, 2001 and during the year ended August 31, 2001 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

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

1. Depository: Bank United, Midland
2. The market value of securities pledged as of the date of the highest combined balance on deposit was \$11,432,439.
3. The highest combined balances of cash, savings, and time deposit accounts amounted to \$6,375,410 and occurred during the month of August, 2001.
4. Total amount of FDIC coverage at the time of the highest combined balance was \$100,000.

(continued)

**MIDLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2001**

NOTE C: DEPOSITS AND INVESTMENTS (continued)

The cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are:

- Category 1 - Deposits which are insured or collateralized with securities held by the District or by its agent in the District's name.
- Category 2 - Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.
- Category 3 - Deposits which are not collateralized or insured.

Based on these three levels of risk, the District's cash deposits are classified as Category 1.

Temporary Investments

Statutes authorize the District to invest in obligations of the U.S. Treasury or the state of Texas, certain U.S. agencies, certificates of deposit, money market savings accounts, certain municipal securities, repurchase agreements and common trust funds.

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

- Category 1 - Investments that are insured, registered or held by the District or by its agent in the District's name.
- Category 2 - Investments that are insured, and unregistered held by the counterparty'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.

Based on these three levels of risk, all the District's investments are classified as Category 1.

Investments of the District are carried at cost which approximates market. The District's temporary investments at August 31, 2001 are shown below:

Texas Treasury Texpool	\$ 27,893,272
MetLife Preference Plus	170,149
Northern Life Insurance	660,222
	<hr/>
Total	\$ <u>28,723,643</u>

**MIDLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2001**

NOTE D: 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. The assessed value of the roll on January 1, 2000 upon which the levy for the 2001 fiscal year was based was \$4,000,531,777.

The tax rates levied for the year ended August 31, 2000, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.50 and \$.139 per \$100 valuation, respectively, for a total of \$1.639 per \$100 valuation.

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 1 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 when they become due or past due and receivable within the current period and those expected to be collected during a 60-day period after the close of the school fiscal year.

NOTE E: DELINQUENT PROPERTY TAXES

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.

NOTE F: DUE FROM GOVERNMENTAL AGENCIES

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, 2001, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from State Agencies. Furthermore, there are times whenever overpayment is received from a State Agency and money may be due to a State Agency.

<u>Fund</u>	<u>Due from State</u>	<u>Due from Federal</u>	<u>Total</u>
General Fund	\$3,641,729	-	\$ 3,641,729
Special Revenue Fund	<u>1,533,330</u>	<u>905,490</u>	<u>2,438,820</u>
Total	<u>\$ 5,175,059</u>	<u>905,490</u>	<u>\$ 6,080,549</u>

**MIDLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2001**

NOTE G: GENERAL FIXED ASSETS

Activity in the general fixed assets account group for the District for the year ended August 31, 2001 was as follows:

	Balance 9/1/00	Additions	Reclassification	Deletions	Balance 8/31/01
Land and Improvements	\$ 6,050,991	20,960	(236,805)	(13,917)	\$ 5,821,229
Buildings and Improvements	130,281,474	645,283	10,104,219	(7,764,094)	133,266,882
Furniture and Equipment	21,497,790	813,690	211,728	(11,278,463)	11,244,745
Construction in Progress	4,792,301	5,286,841	(10,079,142)	-	-
Capital Leases	332,523	90,081	-	(95,385)	327,219
Total	\$ 162,955,079	6,856,855	-	(19,151,859)	\$ 150,660,075

A reclassification was made from Construction in Progress to Buildings and Improvements for the cost of four projects which were completed during the year. Other reclassifications were made to conform to current fixed asset category definitions.

During the year, there were \$19,151,859 in fixed assets deleted from the general fixed assets account group. These deletions can be categorized as follows:

1) Assets purchased in prior years, not meeting current capitalization criteria:	\$ 10,764,363
2) Building costs removed through renovation:	6,510,660
3) Assets disposed of in current year:	<u>1,876,836</u>
Total	\$ <u>19,151,859</u>

NOTE H: INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at August 31, 2001 consisted of the following individual fund balances:

	Due from Other Funds	Due to Other Funds
General Fund:		
Special Revenue Fund	\$ 2,516,732	\$ 23,399
Trust and Agency Funds	21,165	300
Proprietary Fund	183,866	23,147
Total General Fund	<u>2,721,763</u>	<u>46,846</u>
Special Revenue Fund:		
General Fund	23,399	2,516,732
Proprietary Fund	-	59,589
Total Special Revenue Fund	<u>23,399</u>	<u>2,576,321</u>
Proprietary Fund:		
General Fund	23,147	183,866
Special Revenue Fund	59,589	-
Total Proprietary Fund	<u>82,736</u>	<u>183,866</u>
Trust and Agency Fund:		
General Fund	300	21,165
Total	<u>\$ 2,828,198</u>	<u>\$ 2,828,198</u>

**MIDLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2001**

NOTE I: LONG TERM DEBT

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 \$20,000,000.

On December 1, 1999 the District issued \$2,180,000 in Public Property Finance Contractual Obligations. The debt was used to purchase equipment and to pay \$44,508, the cost of issuance of the obligations. The bonds are payable from a continuing direct annual ad valorem tax levied by the District, within the limits prescribed by law, on all taxable property within the District.

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

(continued)

**MIDLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2001**

NOTE I: LONG TERM DEBT (continued)

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 have been removed from the Long-Term Debt 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.

As of August 31, 2001, the maturity value of \$4,910,000 of refunded debt remained outstanding and represents bonds from the 1988 series.

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, 2001 is \$9,397,437. The value of the Capital Appreciation Bonds at maturity is \$11,385,000.

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 at August 31, 2001.

(continued)

**MIDLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2001**

NOTE I: LONG TERM DEBT (continued)

A summary of changes in general long-term debt for the year ended August 31, 2001 is as follows:

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstand. 9/1/00	Issued	Retired	Amounts Outstanding 8/31/01
Schoolhouse bonds						
Series 1991	5.2-6.85%	\$ 23,055,000	\$ 1,970,000	\$ -	\$ -	\$ 1,970,000
Series 1991	6.0-8.0%	4,000,000	820,000	-	-	820,000
Series 1992	2.9-6.0%	16,570,000	6,287,325 (1)	345,316	2,320,000	4,312,641
Series 1993	2.6-5.15%	24,960,000	21,206,833 (1)	204,239	365,000	21,046,072
Series 1997	3.5-4.63%	20,000,000	6,055,000	-	-	6,055,000
Series 1997	4.0-5.5%	9,855,000	8,810,000	-	1,345,000	7,465,000
Series 1998	4.75-5.0%	20,450,000	19,450,000	-	975,000	18,475,000
Series 1998	4.2-4.3%	1,520,000	819,892 (1)	108,832	-	928,724
Contractual Obligations						
Series 1999	4.45-6.8%	2,180,000	2,180,000	-	455,000	1,725,000
Total		\$ 122,590,000	\$ 67,599,050	\$ 658,387	\$ 5,460,000	\$ 62,797,437

(1) Represents current accretion on capital appreciation bonds.

Debt Service Reconciliation

Retirement	\$ 5,460,000
Interest	2,765,126
Fees	134,192
Premium on conversion - '97 series	(31,904)
Premium on '99 series	(12,856)
Debt service expenditures	\$ 8,314,558

(continued)

**MIDLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2001**

NOTE I: LONG TERM DEBT (continued)

Year Ended August 31,	General Obligations		
	Principal	Total Interest	Requirements
2002	\$ 5,470,000	\$ 2,692,956	\$ 8,162,956
2003	4,502,641	2,671,738	7,174,379
2004	4,945,000	2,335,741	7,280,741
2005	4,550,000	2,749,231	7,299,231
2006	2,534,796	2,918,090	5,452,886
Thereafter	40,795,000	10,249,108	51,044,108
Total	\$ 62,797,437	\$ 23,616,864	\$ 86,414,301

NOTE J: COMMITMENTS

Operating Leases

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of August 31, 2001, as follows:

Year Ending August 31,		
2002	\$	6,756
2003		4,312
2004		179
Thereafter		-
Total Minimum Rentals	\$	11,247
Rental Expenditures in Fiscal Year 2001	\$	84,342

Capital Leases

The District acquired office and instructional equipment under long-term, noncancelable (capital) lease agreements. Imputed interest rates on the capital leases vary from 4.3% to 12.75%. The capitalized cost in the General Fixed Assets Account Group is \$327,219 and the capitalized lease payable at August 31, 2001 is \$248,765 and the annual payments that extend through fiscal year 2005, are as follows:

(continued)

**MIDLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2001**

NOTE J: COMMITMENTS (continued)

Year Ended August 31,		Principal		Interest
2002	\$	66,190	\$	15,883
2003		71,549		11,123
2004		76,773		5,899
Thereafter		34,163		865
Total	\$	248,675	\$	33,770

NOTE K: ACCUMULATED 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, 2001, the District estimates that its liability for compensated sick leave amounts to \$2,622,501. This amount has been recorded in the General Long-Term Debt Group of accounts.

NOTE L: RETIREMENT PLAN

The Teacher Retirement System of Texas is a cost sharing multiple employer public-employee retirement system (PERS). However, all risks and cost are not shared by the District but are a liability of the State of Texas. By statute, the State of Texas contributes to the retirement system an amount equal to the current authorized rate times the aggregate annual compensation of all members of the retirement system during that fiscal year. The System's annual financial report and other required disclosure information are available by writing the Teacher Retirement System of Texas, 1000 Red River Austin, Texas 79701-2698 or by calling (800) 877-0123.

For members of the retirement system entitled to the minimum salary for certain school personnel under Section 21.402 of the Texas Education Code and for members who would have been entitled to the state minimum salary under former Section 16.056, Texas Education Code, the District shall pay the State's contribution on the portion that exceeds the statutory minimum, if the District's effective tax rate for maintenance and operations is less than 12.5 percent of the statewide average for the tax year that ended in the proceeding school year.

All employees of public, state-supported educational institutions in Texas who are employed for ½ or more of the standard work load and who are not exempted from membership under Texas Government Code , Title 8 Subtitle C, Sec. 822.002 are covered by TRS membership.

The Teacher Retirement System of Texas administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school system of Texas. It operates primarily under the provisions of Texas Constitution, Article Sec. XVI, 67 and Texas Government Code , Title

(continued)

**MIDLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2001**

NOTE L: RETIREMENT PLAN (continued)

8 Subtitle C. The system also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8 Chapter 803 and Chapter 805, respectively.

Service Retirement:

1) Normal

- A) Age 65 with 5 years of service.
- B) Age 60 with 20 years of service.
- C) Age 50 with 30 years of service.

2) Reduced

- A) Age 55 with at least 5 years of service.
- B) Any age below 50 with 30 years of service.

Under provisions in State law, plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.0% of the District's covered payroll. The District's employees' contributions made to the System for the years ended August 31, 1999, 2000 and 2001 were \$5,506,862, \$5,846,760 and \$5,897,218 respectively, equal to the required contributions for each year. Other contributions made from federal and private grants and from the District for salaries above the statutory minimum for the years ended August 31, 1999, 2000 and 2001 were \$313,266, \$310,468 and \$348,839 respectively, equal to the required contributions for each year.

NOTE M: EMPLOYEE DEFINED CONTRIBUTION PLAN

The District participates in a matching annuity plan for the benefit of its employees. An employee may elect to participate in the plan by contributions a portion of his or her income. The District matches the employees' contribution to the maximum of 3.0%. This percentage is determined annually by the Board of Trustees. For the year ended August 31, 2001, the matching percentage was 3.0%. Participants begin to vest in amounts contributed by the District after three years of participation and are 100% vested after five years. Participants are vested 100% in their contributions at all times. At August 31, 2001, 2,004 employees were active participants in the plan. During the year, the District contributed \$1,935,671 to the plan.

NOTE N: HEALTH CARE

As of September 1, 2000, and through December 31, 2000, employees of the District were covered by a fully insured plan for health insurance. Beginning January 1, 2001, the District established a health self insurance plan. The District contributes \$ 187 per month per employee to the plan, and the employees, at their option, authorize payroll withholdings to pay premiums for dependent's health insurance coverage. A third party administrator acting on behalf of the District processes health claim payments.

Claims incurred after January 1, 2001 are subject to an individual stop loss of \$ 100,000 per participant annually and a \$ 1,000,000 lifetime maximum benefit. Individual employee health claims are self-insured by the by the District up to \$100,000, and Blue Cross Blue Shield of Texas provides stop-loss benefits above \$100,000 up to an aggregate district wide attachment point of \$5,326,515. At August 31, 2001, the District

(continued)

**MIDLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2001**

NOTE N: HEALTH CARE (continued)

has recorded current health claims short-term liabilities of \$1,162,156 in the Internal Service Fund representing claims reported but not paid and incurred but not reported.

The employees of the District are covered by a totally self-funded dental plan. The MISD dental plan is a voluntary participation plan, and provides a limited benefit of \$1,250 per covered individual. No stop loss coverage has been purchased due to the plan's limited coverage. Blue Cross as the claims administrator has estimated claims of approximately \$73,869 that are incurred but not paid as of August 31, 2001. These have been recorded as a liability of the District.

These liabilities are based on requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated.

The latest financial statements available for the Blue Cross Blue Shield Insurance Company are filed with the Texas State Board of Insurance, Austin, Texas, and are public records. The District does not provide any post-retirement health benefits to its employees.

Changes in the medical and dental claims liability amounts for fiscal year 2001 are presented below:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2000-Dental	\$59,256	480,679	480,679	\$59,256
2001-Dental & Medical	\$59,256	5,809,576	4,632,807	\$1,236,025

NOTE O: WORKER'S COMPENSATION

Beginning September 1, 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 \$815,805 and have been recorded as a liability of the District. The District remained fully insured until March, 2001, at which time the District established its self-funding worker's compensation program. Frank Gates, through its actuarial review of the worker's compensation self-insurance program, projected a discounted liability of \$529,414 as of August 31, 2001, resulting in an ultimate loss reserve of the fund of \$1,345,219.

The District has maintained a self-insured retention of \$200,000 per occurrence since becoming self-funded. The District currently purchases excess coverage to statutory limits from Texas Association of School Boards. The District does not purchase aggregate excess insurance. Claims administration is provided by Texas Association of School Boards as of March 18, 2001.

The accrued liabilities for worker's compensation self-insurance of \$1,345,219 includes incurred but not reported claims. This liability reported in the fund at August 31, 2001, is based on the requirements of

(continued)

**MIDLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2001**

NOTE O: WORKER'S COMPENSATION (continued)

Government Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements, and the amount of loss can be reasonably estimated. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing the liability does not result necessarily in an exact amount.

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

Fiscal Year	Claims
1992	201
1993	260
1994	262
1995	298
1996	326
1997	279
1998	342
1999	338
2000	131
2001	290
10 Year Average	<u>273</u>

Changes in the worker's compensation claims liability amounts in fiscal year 2000 and 2001 are presented below:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2000	\$1,317,190	1,854	183,214	\$1,135,830
2001	\$1,135,830	408,314	198,925	\$1,345,219

NOTE P: MAINTENANCE OF EFFORT

The following disclosure pertains to group health insurance, as required by HB 3343, 77th Texas Legislature (section 103 which adds Insurance Code Article 3.50-9 Section 2):

The District was fully insured until December 31, 2000, and self insured for the remainder of the fiscal year, as such, amounts for each period are presented below with a year to date total:

Total District Premium Paid for health care (9/1/00 through 12/31/00):	\$ 2,135,730
Total District Contributions for health care (1/1/01 through 8/31/01):	<u>3,451,444</u>
2000-2001 Maintenance of Effort:	<u>\$ 5,587,174</u>

NOTE Q: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets;

(continued)

**MIDLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2001**

NOTE Q: RISK MANAGEMENT (continued)

errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, 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.

NOTE R: LITIGATION

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

NOTE S: DEFERRED REVENUE

Deferred revenue at year-end consisted of the following:

	General <u>Fund</u>	Special Revenue <u>Fund</u>	Debt Service <u>Fund</u>		<u>Total</u>
Net Tax Revenue	\$ 1,687,425	-	149,299	\$	1,836,724
Athletic Receipts	165,056	-	-		165,056
Activity Fund Receipts	85,804	-	-		85,804
ESEA Title I, Part A	-	150	-		150
IDEA-B, Formula Deaf	-	167	-		167
Library Supplement	-	357	-		357
Air Force Junior ROTC	-	7,648	-		7,648
Professional Staff	-	853	-		853
Development					
Texas Successful Schools	-	11,572	-		11,572
PEP Program	-	10,791	-		10,791
Advanced Placement/ Testing	-	4,588	-		4,588
Prekindergarten Expansion	-	10,684	-		10,684
Tobacco Education & Prevention	-	38	-		38
Read to Succeed	-	150	-		150
Quality Careers	-	174	-		174
Reading Center	-	886	-		886
School to Career	-	8	-		8
Project Trust	-	4,119	-		4,119
Music Plus Program	-	1,820	-		1,820
Miscellaneous Receipts	7,705	-	-		7,705
Total	\$ <u>1,945,990</u>	<u>54,005</u>	<u>149,299</u>	\$	<u>2,149,294</u>

**MIDLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2001**

NOTE T: REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
Property Taxes	\$ 58,435,926	-	5,410,716	-	\$ 63,846,642
Food Sales	-	2,171,693	-	-	2,171,693
Investment Income	1,670,138	119,980	276,403	191,439	2,257,960
Penalties, interest and other tax related income	725,063	-	60,761	-	785,824
Co-curricular student activities	1,725,968	-	-	-	1,725,968
Other	802,298	71,085	-	-	873,383
Total	\$ <u>63,359,393</u>	<u>2,362,758</u>	<u>5,747,880</u>	<u>191,439</u>	\$ <u>71,661,470</u>

NOTE U: GENERAL FUND FEDERAL SOURCE REVENUES

Federally financed programs are generally accounted for in the Special Revenue Funds of the District, except for indirect costs charged to federal programs which are accounted for in the General Funds as prescribed by the TEA. The District recognized in the General Fund such revenues for the year ended August 31, 2001, from various federal sources as follows; along with amounts reimbursed to the District from Medicaid for expenditures incurred for Medicaid eligible students:

Program or Source	CFDA Number	Amount	Total Grant or Entitlement
Goals 2000	84.276A	\$ 2,853	\$ 2,853
ESEA Title II, Part B	84.281A	1,337	1,337
ESEA Title I, Part A	84.010A	40,524	40,524
ESEA Title I, Part C	84.011	3,003	3,003
IDEA B	84.027	15,956	15,956
ESEA Title VI	84.298	805	805
IDEA-C	84.181A	3	3
Air Force Junior ROTC	-	32,215	32,215
MEDICAID- SHARS	-	163,866	163,866
MEDICAID- Target Case Mgmt.	-	3,637	3,637
MEDICAID- MAC	-	14,030	14,030
Total for General Fund		\$ <u>278,229</u>	\$ <u>278,229</u>

NOTE V: SUBSEQUENT EVENTS

On November 13, 2001, the Board of Trustees of the District approved early redemption of the remaining \$2,180,000 Public Property Contractual Obligations. The redemption is to occur on January 3, 2002 for the remaining principal of \$1,725,000 and accrued interest of \$30,110.

**MIDLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2001**

NOTE W: NEW PRONOUNCEMENTS

Effective for the fiscal year ending August 31, 2002, the District will be subject to implementing GASB 34. This implementation will necessitate restructuring many of the District's accounting policies. In anticipation of this event, the Board of Trustees has formed a project steering committee whose responsibility it will be to study the changes that will be necessary and put into place a plan that will allow for a smooth transition.

1. The first part of the document is a list of the names of the members of the committee who were appointed to study the problem of the... (faint text)

2. The second part of the document is a report on the work of the committee during the past year. It contains a detailed account of the... (faint text)

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COMBINING STATEMENTS AND BUDGET COMPARISONS

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MIDLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES BY FUNCTION
BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND
YEAR ENDED AUGUST 31, 2001

Data Control Codes	100-199 GENERAL FUND		Variance Favorable (Unfavorable)
	BUDGET	ACTUAL	
0010	<u>Instruction and Instructional-Related Services</u>		
0011	\$ 69,018,286	\$ 68,498,830	\$ 519,456
0012	2,055,966	2,007,197	48,769
0013	1,804,634	1,688,280	116,354
	<u>72,878,886</u>	<u>72,194,307</u>	<u>684,579</u>
0020	<u>Instructional and School Leadership</u>		
0021	694,877	647,094	47,783
0023	7,460,617	7,420,072	40,545
	<u>8,155,494</u>	<u>8,067,166</u>	<u>88,328</u>
0030	<u>Support Services - Student (Pupil)</u>		
0031	4,299,132	4,075,502	223,630
0032	218,141	203,573	14,568
0033	1,161,471	1,146,811	14,660
0034	4,072,705	4,000,730	71,975
0036	3,179,726	2,860,424	319,302
	<u>12,931,175</u>	<u>12,287,040</u>	<u>644,135</u>
0040	<u>Administrative Support Services</u>		
0041	3,355,851	3,239,381	116,470
	<u>3,355,851</u>	<u>3,239,381</u>	<u>116,470</u>
0050	<u>Support Services - Nonstudent Based</u>		
0051	14,640,484	14,456,897	183,587
0052	656,048	643,600	12,448
0053	1,416,088	1,381,696	34,392
	<u>16,712,620</u>	<u>16,482,193</u>	<u>230,427</u>
0060	<u>Ancillary Services</u>		
0061	217,755	209,048	8,707
	<u>217,755</u>	<u>209,048</u>	<u>8,707</u>
0070	<u>Debt Service</u>		
0071	652,003	651,987	16
	<u>652,003</u>	<u>651,987</u>	<u>16</u>
0080	<u>Capital Outlay</u>		
0081	676,000	284,771	391,229
	<u>676,000</u>	<u>284,771</u>	<u>391,229</u>
	<u>\$ 115,579,784</u>	<u>\$ 113,415,893</u>	<u>\$ 2,163,891</u>

**MIDLAND INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS
 AUGUST 31, 2001
 (WITH COMPARATIVE TOTALS FOR AUGUST 31, 2000)**

Data Control Codes	204 ESEA Title IV Safe & Drug Free Schools	205 Head Start	207 Goals 2000: Educate America	210 ESEA II, B Professional Development
ASSETS				
1110 Cash and Temporary Investments (market)	\$ 40,428	\$ 1,758	\$ -	\$ 30,457
1240 Due from Other Governments	4,936	719,823	49,982	4,184
1260 Due from Other Funds	-	-	-	-
1290 Other Receivables	-	-	-	-
1310 Inventories, at Cost	-	-	-	-
1490 Other Current Assets	-	2,733	-	-
1000 Total Assets	<u>\$ 45,364</u>	<u>\$ 724,314</u>	<u>\$ 49,982</u>	<u>\$ 34,641</u>
LIABILITIES				
2110 Accounts Payable	\$ -	\$ 18,156	\$ 17,106	\$ 3,734
2160 Accrued Wages Payable	-	108,576	-	-
2170 Due to Other Funds	45,364	597,582	32,876	30,907
2180 Due to Other Governments	-	-	-	-
2300 Deferred Revenues	-	-	-	-
2000 Total Liabilities	<u>45,364</u>	<u>724,314</u>	<u>49,982</u>	<u>34,641</u>
FUND EQUITY				
Reserved Fund Balance				
3410 Investments in Inventory	-	-	-	-
3440 Outstanding Encumbrances	-	42,461	-	48
3450 Food Service	-	-	-	-
3600 Unreserved, Undesignated Fund Balance	-	(42,461)	-	(48)
3000 Total Fund Equity	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Equity	<u>\$ 45,364</u>	<u>\$ 724,314</u>	<u>\$ 49,982</u>	<u>\$ 34,641</u>

211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	219 ESEA VII, A Bilingual Education	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	226 IDEA - Part B Discretionary	227 IDEA - Part B Deaf	228 IDEA - Part B Preschool Deaf
\$ 90,863	\$ -	\$ -	\$ 25,814	\$ -	\$ 10	\$ 8,137	\$ -
20,663	92,983	161,266	35,845	1	213	-	-
-	-	-	-	18,122	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 111,526</u>	<u>\$ 92,983</u>	<u>\$ 161,266</u>	<u>\$ 61,659</u>	<u>\$ 18,123</u>	<u>\$ 223</u>	<u>\$ 8,137</u>	<u>\$ -</u>
\$ 7,668	\$ 26,961	\$ 121,112	\$ 344	\$ 11,638	\$ 213	\$ -	\$ -
-	-	-	-	-	-	-	-
103,708	66,022	40,154	61,315	6,485	10	7,970	-
-	-	-	-	-	-	-	-
150	-	-	-	-	-	167	-
<u>111,526</u>	<u>92,983</u>	<u>161,266</u>	<u>61,659</u>	<u>18,123</u>	<u>223</u>	<u>8,137</u>	<u>-</u>
-	-	-	-	-	-	-	-
18,388	-	15	-	-	-	-	-
-	-	-	-	-	-	-	-
(18,388)	-	(15)	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 111,526</u>	<u>\$ 92,983</u>	<u>\$ 161,266</u>	<u>\$ 61,659</u>	<u>\$ 18,123</u>	<u>\$ 223</u>	<u>\$ 8,137</u>	<u>\$ -</u>

**MIDLAND INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS
AUGUST 31, 2001
(WITH COMPARATIVE TOTALS FOR AUGUST 31, 2000)**

Data Control Codes	235 ESEA Title VI Innovative Education	240 National Breakfast and Lunch Program	242 Summer Feeding Program	244 Vocational Ed Basic Grant
ASSETS				
1110 Cash and Temporary Investments (market)	\$ 40,896	\$ 2,337,202	\$ -	\$ -
1240 Due from Other Governments	25	350,532	106,209	5,983
1260 Due from Other Funds	-	-	-	-
1290 Other Receivables	-	-	-	-
1310 Inventories, at Cost	-	704,901	-	-
1490 Other Current Assets	-	-	-	-
1000 Total Assets	<u>\$ 40,921</u>	<u>\$ 3,392,635</u>	<u>\$ 106,209</u>	<u>\$ 5,983</u>
LIABILITIES				
2110 Accounts Payable	\$ -	\$ 96,006	\$ 39,424	\$ 5,983
2160 Accrued Wages Payable	-	298,217	-	-
2170 Due to Other Funds	40,921	444,396	37,745	-
2180 Due to Other Governments	-	-	-	-
2300 Deferred Revenues	-	-	-	-
2000 Total Liabilities	<u>40,921</u>	<u>838,619</u>	<u>77,169</u>	<u>5,983</u>
FUND EQUITY				
Reserved Fund Balance				
3410 Investments in Inventory	-	704,901	-	-
3440 Outstanding Encumbrances	-	-	-	30,744
3450 Food Service	-	1,849,115	29,040	-
3600 Unreserved, Undesignated Fund Balance	-	-	-	(30,744)
3000 Total Fund Equity	<u>-</u>	<u>2,554,016</u>	<u>29,040</u>	<u>-</u>
4000 Total Liabilities and Fund Equity	<u>\$ 40,921</u>	<u>\$ 3,392,635</u>	<u>\$ 106,209</u>	<u>\$ 5,983</u>

EXHIBIT B-2 (Cont'd)

289 Other Federal Special Revenue Funds	429 Other State Special Revenue Funds	499 Other Local Special Revenue Funds	Totals	
			98 August 31, 2001	97 August 31, 2000
\$ 162,846	\$ 820,140	\$ 21,095	\$ 3,579,646	\$ 2,675,534
47,167	839,008	-	2,438,820	1,274,118
5,111	163	3	23,399	14,233
-	-	6,035	6,035	6,824
-	-	-	704,901	667,282
-	-	-	2,733	-
<u>\$ 215,124</u>	<u>\$ 1,659,311</u>	<u>\$ 27,133</u>	<u>\$ 6,755,534</u>	<u>\$ 4,637,991</u>
\$ 52,094	\$ 599,692	\$ 6,394	\$ 1,006,525	\$ 674,259
-	30,411	-	437,204	375,352
155,025	892,109	13,732	2,576,321	1,275,913
-	78,710	-	78,710	55,603
8,005	38,676	7,007	54,005	31,294
<u>215,124</u>	<u>1,639,598</u>	<u>27,133</u>	<u>4,152,765</u>	<u>2,412,421</u>
-	-	-	704,901	667,282
67,442	44,550	3,497	207,145	123,325
-	-	-	1,878,155	1,429,488
(67,442)	(24,837)	(3,497)	(187,432)	5,475
<u>-</u>	<u>19,713</u>	<u>-</u>	<u>2,602,769</u>	<u>2,225,570</u>
<u>\$ 215,124</u>	<u>\$ 1,659,311</u>	<u>\$ 27,133</u>	<u>\$ 6,755,534</u>	<u>\$ 4,637,991</u>

**MIDLAND INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - ALL SPECIAL REVENUE FUNDS
YEAR ENDED AUGUST 31, 2001 (WITH COMPARATIVE TOTALS FOR AUGUST 31, 2000)**

Data Control Codes	204 ESEA Title IV Safe & Drug Free Schools	205 Head Start	207 Goals 2000: Educate America	210 ESEA II, B Professional Development
REVENUES:				
Local and Intermediate Sources:				
	\$ -	\$ 111	\$ -	\$ -
	-	-	-	-
5700	-	111	-	-
5800	-	-	-	-
5900	103,422	1,602,791	217,665	85,019
5020	103,422	1,602,902	217,665	85,019
EXPENDITURES:				
0011	-	855,404	170,285	-
0012	-	44,811	-	-
0013	-	44,351	42,660	85,019
0010	-	944,566	212,945	85,019
0021	-	-	-	-
0023	-	184,587	4,720	-
0020	-	184,587	4,720	-
0031	103,422	-	-	-
0033	-	213,410	-	-
0034	-	4,525	-	-
0035	-	-	-	-
0030	103,422	217,935	-	-
0041	-	3,203	-	-
0040	-	3,203	-	-
0051	-	19,662	-	-
0052	-	-	-	-
0050	-	19,662	-	-
0061	-	232,949	-	-
0060	-	232,949	-	-
6030	103,422	1,602,902	217,665	85,019
1100	-	-	-	-
7020	-	-	-	-
1200	-	-	-	-
0100	-	-	-	-
3000	\$ -	\$ -	\$ -	\$ -

211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	219 ESEA VII, A Bilingual Education	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	226 IDEA - Part B Discretionary	227 IDEA - Part B Deaf	228 IDEA - Part B Preschool Deaf
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,870,307	200,839	161,266	1,247,233	83,390	9,225	8,559	1,948
<u>2,870,307</u>	<u>200,839</u>	<u>161,266</u>	<u>1,247,233</u>	<u>83,390</u>	<u>9,225</u>	<u>8,559</u>	<u>1,948</u>
2,457,346	82,114	-	830,936	83,211	9,012	8,559	1,948
103,357	-	-	-	-	-	-	-
48,366	6,211	161,266	1,217	179	-	-	-
<u>2,609,069</u>	<u>88,325</u>	<u>161,266</u>	<u>832,153</u>	<u>83,390</u>	<u>9,012</u>	<u>8,559</u>	<u>1,948</u>
71,607	14,047	-	240,797	-	213	-	-
2,031	-	-	-	-	-	-	-
<u>73,638</u>	<u>14,047</u>	-	<u>240,797</u>	-	<u>213</u>	-	-
-	48,747	-	60,220	-	-	-	-
44,574	5,321	-	2,577	-	-	-	-
-	-	-	111,486	-	-	-	-
-	-	-	-	-	-	-	-
<u>44,574</u>	<u>54,068</u>	-	<u>174,283</u>	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
143,026	44,399	-	-	-	-	-	-
143,026	44,399	-	-	-	-	-	-
<u>2,870,307</u>	<u>200,839</u>	<u>161,266</u>	<u>1,247,233</u>	<u>83,390</u>	<u>9,225</u>	<u>8,559</u>	<u>1,948</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**MIDLAND INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - ALL SPECIAL REVENUE FUNDS
 YEAR ENDED AUGUST 31, 2001 (WITH COMPARATIVE TOTALS FOR AUGUST 31, 2000)**

Data Control Codes	235 ESEA Title VI Innovative Education	240 National Breakfast and Lunch Program	242 Summer Feeding Program	244 Vocational Ed Basic Grant
REVENUES:				
Local and Intermediate Sources:				
	\$ -	\$ 119,869	\$ -	\$ -
	-	2,181,066	557	-
5700	-	2,300,935	557	-
5800	-	-	-	-
5900	129,803	4,893,610	106,209	223,699
5020	<u>129,803</u>	<u>7,194,545</u>	<u>106,766</u>	<u>223,699</u>
EXPENDITURES:				
0011	111,387	-	-	194,211
0012	3,236	-	-	-
0013	8,656	-	-	12,181
0010	<u>123,279</u>	<u>-</u>	<u>-</u>	<u>206,392</u>
0021	6,524	-	-	6,646
0023	-	-	-	-
0020	<u>6,524</u>	<u>-</u>	<u>-</u>	<u>6,646</u>
0031	-	-	-	10,661
0033	-	-	-	-
0034	-	-	-	-
0035	-	6,737,299	77,726	-
0030	<u>-</u>	<u>6,737,299</u>	<u>77,726</u>	<u>10,661</u>
0041	-	-	-	-
0040	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
0051	-	-	-	-
0052	-	-	-	-
0050	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
0061	-	-	-	-
0060	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
6030	<u>129,803</u>	<u>6,737,299</u>	<u>77,726</u>	<u>223,699</u>
1100	-	457,246	29,040	-
7020	-	-	-	-
1200	<u>-</u>	<u>457,246</u>	<u>29,040</u>	<u>-</u>
0100	<u>-</u>	<u>2,096,770</u>	<u>-</u>	<u>-</u>
3000	<u>\$ -</u>	<u>\$ 2,554,016</u>	<u>\$ 29,040</u>	<u>\$ -</u>

289 Other Federal Special Revenue Funds	429 Other State Special Revenue Funds	499 Other Local Special Revenue Funds	Totals	
			98 August 31, 2001	97 August 31, 2000
\$ -	\$ -	\$ -	\$ 119,980	\$ 114,078
-	10,300	50,855	2,242,778	2,100,950
-	10,300	50,855	2,362,758	2,215,028
-	2,968,752	-	2,968,752	2,076,277
621,759	-	-	12,566,744	12,553,481
621,759	2,979,052	50,855	17,898,254	16,844,786
567,896	2,082,188	43,221	7,497,718	6,705,503
9,915	-	-	161,319	181,135
22,615	480,144	3,771	916,636	796,812
600,426	2,562,332	46,992	8,575,673	7,683,450
-	-	-	339,834	225,267
152	36,939	2,355	230,784	170,840
152	36,939	2,355	570,618	396,107
-	308,750	1,508	533,308	844,735
-	-	-	265,882	313,722
-	10,400	-	126,411	111,758
-	-	-	6,815,025	6,754,292
-	319,150	1,508	7,740,626	8,024,507
21,181	-	-	24,384	6,448
21,181	-	-	24,384	6,448
-	20,000	-	39,662	-
-	-	-	-	1,723
-	20,000	-	39,662	1,723
-	149,718	-	570,092	552,224
-	149,718	-	570,092	552,224
621,759	3,088,139	50,855	17,521,055	16,664,459
-	(109,087)	-	377,199	180,327
-	-	-	-	8,925
-	(109,087)	-	377,199	189,252
-	128,800	-	2,225,570	2,036,318
\$ -	\$ 19,713	\$ -	\$ 2,602,769	\$ 2,225,570

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MIDLAND INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED AUGUST 31, 2001

Data Control Codes	97 BALANCE September 1, 2000	5020 ADDITIONS	6030 DEDUCTIONS	98 BALANCE August 31, 2001
STUDENT ACTIVITIES:				
Assets:				
Cash and Temporary Investments	\$ 477,126	\$ 1,903,165	\$ 1,915,943	\$ 464,348
Liabilities:				
Accounts Payable	\$ 5,754	\$ 37,834	\$ 30,125	\$ 13,463
Due to Student Groups	471,372	1,865,331	1,885,818	450,885
Total Liabilities	\$ 477,126	\$ 1,903,165	\$ 1,915,943	\$ 464,348
OTHER AGENCY FUNDS:				
Assets:				
Cash and Temporary Investments	\$ 1,057,235	\$ 1,416,468	\$ 1,173,456	\$ 1,300,247
Due From Other Funds	-	300	-	300
Other Receivables	363	10,619	8,789	2,193
Inventories at Cost	2,243	-	366	1,877
Other Current Assets	1,000	-	1,000	-
Total Assets	\$ 1,060,841	\$ 1,427,387	\$ 1,183,611	\$ 1,304,617
Liabilities:				
Accounts Payable	\$ 240,817	\$ 753,080	\$ 649,749	\$ 344,148
Due to Other Funds	83,282	21,165	83,282	21,165
Payable from Restricted Assets	736,742	653,142	450,580	939,304
Total Liabilities	\$ 1,060,841	\$ 1,427,387	\$ 1,183,611	\$ 1,304,617
TOTAL AGENCY FUNDS				
Assets:				
1110 Cash and Temporary Investments	\$ 1,534,361	\$ 3,319,633	\$ 3,089,399	\$ 1,764,595
1260 Due From Other Funds	-	300	-	300
1290 Other Receivables	363	10,619	8,789	2,193
1310 Inventories at Cost	2,243	-	366	1,877
1490 Other Current Assets	1,000	-	1,000	-
1000 Total Assets	\$ 1,537,967	\$ 3,330,552	\$ 3,099,554	\$ 1,768,965
Liabilities:				
2110 Accounts Payable	\$ 246,571	\$ 790,914	\$ 679,874	\$ 357,611
2170 Due to Other Funds	83,282	21,165	83,282	21,165
2190 Due to Student Groups	471,372	1,865,331	1,885,818	450,885
2400 Payable from Restricted Assets	736,742	653,142	450,580	939,304
2000 Total Liabilities	\$ 1,537,967	\$ 3,330,552	\$ 3,099,554	\$ 1,768,965

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GENERAL INSTRUCTIONS TO ASSISTANTS
 HOW TO TAKE NOTES

NO.	NAME OF THE ASSISTANT	ADDRESS	TELEPHONE	DATE
1	JOHN J. BROWN	1234 5th St.	1234	10-10-33
2	JAMES A. SMITH	5678 10th Ave.	5678	10-11-33
3	MARY K. JONES	9101 15th St.	9101	10-12-33
4	EDWARD W. GALT	2468 20th Ave.	2468	10-13-33
5	FRANK L. HARRIS	3579 25th St.	3579	10-14-33
6	HENRY D. CLARK	4680 30th Ave.	4680	10-15-33
7	WILLIAM E. BAKER	5791 35th St.	5791	10-16-33
8	CHARLES M. SCOTT	6802 40th Ave.	6802	10-17-33
9	ROBERT G. ADAMS	7913 45th St.	7913	10-18-33
10	STEPHEN R. NIXON	8024 50th Ave.	8024	10-19-33
11	VICTOR H. COLEMAN	9135 55th St.	9135	10-20-33
12	ANDREW C. BISHOP	0246 60th Ave.	0246	10-21-33
13	DAVID M. GIBSON	1357 65th St.	1357	10-22-33
14	ERNEST W. STEVENSON	2468 70th Ave.	2468	10-23-33
15	GEOFFREY L. CAMPBELL	3579 75th St.	3579	10-24-33
16	HAROLD S. MITCHELL	4680 80th Ave.	4680	10-25-33
17	IRVING H. PERCY	5791 85th St.	5791	10-26-33
18	JENNIFER K. SMITH	6802 90th Ave.	6802	10-27-33
19	JOHN P. BROWN	7913 95th St.	7913	10-28-33
20	KAREN M. CLARK	8024 01st Ave.	8024	10-29-33
21	LEO R. GALT	9135 05th St.	9135	10-30-33
22	MARION E. HARRIS	0246 10th Ave.	0246	10-31-33
23	NATHAN D. BAKER	1357 15th St.	1357	11-1-33
24	OLIVER W. SCOTT	2468 20th Ave.	2468	11-2-33
25	PATRICK G. ADAMS	3579 25th St.	3579	11-3-33
26	QUENTIN S. NIXON	4680 30th Ave.	4680	11-4-33
27	ROSAMUND H. COLEMAN	5791 35th St.	5791	11-5-33
28	STEPHEN C. BISHOP	6802 40th Ave.	6802	11-6-33
29	TIMOTHY M. GIBSON	7913 45th St.	7913	11-7-33
30	ULRICHE W. STEVENSON	8024 50th Ave.	8024	11-8-33
31	VICTOR L. CAMPBELL	9135 55th St.	9135	11-9-33
32	WALTER R. MITCHELL	0246 60th Ave.	0246	11-10-33
33	XENIA K. PERCY	1357 65th St.	1357	11-11-33
34	YOUNG J. SMITH	2468 70th Ave.	2468	11-12-33
35	ZOE M. BROWN	3579 75th St.	3579	11-13-33

OTHER SCHEDULES

**MIDLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2001**

For Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
1992 and prior years	\$ 0.34000	\$ 0.10500	\$ 3,320,998,269
1993	0.33800	0.14200	3,609,748,861
1994	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	3,801,984,349
1999	1.39870	0.13000	4,035,783,714
2000	1.45870	0.11000	3,934,717,125
2001 (School year under audit)	1.50000	0.13900	4,000,531,777
1000 TOTALS			

(10) Beginning Balance 9/1/00	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/01
\$ 335,317	\$ -	\$ 9,343	\$ 3,118	\$ 87,700	\$ 235,156
115,630	-	2,901	331	3,034	109,364
116,741	-	5,844	623	3,133	107,141
130,131	-	10,373	1,106	3,058	115,594
154,524	-	22,324	2,308	(88)	129,980
177,138	-	34,084	3,504	(158)	139,708
282,235	-	87,286	13,496	(5,637)	187,090
561,329	-	246,862	22,944	(4,523)	296,046
1,483,175	-	750,267	56,577	88,392	587,939
-	64,004,355	57,266,642	5,306,709	183,387	1,247,617
<u>\$ 3,356,220</u>	<u>\$ 64,004,355</u>	<u>\$ 58,435,926</u>	<u>\$ 5,410,716</u>	<u>\$ 358,298</u>	<u>\$ 3,155,635</u>

**MIDLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2002-2003
GENERAL AND SPECIAL REVENUE FUNDS
YEAR ENDED AUGUST 31, 2001**

FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collections	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (other) Miscellaneous	7 Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 274,849	\$ 1,560,962	\$ -	\$ -	\$ 1,835,811
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	98,361	-	-	-	-	-	98,361
6212	Audit Services	-	-	-	33,500	-	-	33,500
6213	Tax Appraisal and Collection	-	861,938	-	-	-	-	861,938
621X	Other Professional Services	17,135	-	-	63,457	21,181	-	101,773
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	-	-	-	-	-
6240	Contr. Maint. and Repair	-	-	-	-	9,577	-	9,577
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	-	-	-	-
6290	Miscellaneous Contr.	30,696	-	5,610	80,105	-	-	116,411
6320	Textbooks and Reading	-	-	-	833	-	-	833
6330	Testing Materials	-	-	-	350	-	-	350
63XX	Other Supplies Materials	527	-	2,680	68,838	-	-	72,045
6410	Travel, Subsistence, Stipends	17,135	-	11,579	53,894	-	-	82,608
6420	Ins. and Bonding Costs	-	-	-	15,909	-	-	15,909
6430	Election Costs	29,653	-	-	-	-	-	29,653
6490	Miscellaneous Operating	26,672	-	19,314	12,931	-	-	58,917
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	2,640	2,640
6000	TOTAL	\$ 220,179	\$ 861,938	\$ 314,032	\$ 1,890,779	\$ 30,758	\$ 2,640	\$ 3,320,326

Total expenditures/expenses for General and Special Revenue Funds (Schedule A-2): (9) \$ 130,936,946

LESS: Deductions of Unallowable Costs

Total Capital Outlay (6600)	(10)	\$ 1,979,173
Total Debt & Lease(6500)	(11)	651,987
Plant Maintenance (Function 51, 6100-6400)	(12)	13,945,212
Food (Function 35, 6341 and 6499)	(13)	2,390,987
Stipends (6413)	(14)	-
Column 4 (above) - Total Indirect Cost		1,890,779
SubTotal:		20,858,137
Net Allowed Direct Cost		\$ 110,078,809
Historical Cost of Buildings over 50 years old	(15)	\$ -
Amount of Federal Money in Building Cost (Net of Above)	(16)	\$ -
Historical Cost of Furniture & Equipment over 16 years old	(17)	\$ -
Amount of Federal Money in Furniture & Equipment (Net of Above)	(18)	\$ 4,893,592

(8) NOTE A: \$56,561 in Function 53 expenditures are included in this report on administrative costs.

**MIDLAND INDEPENDENT SCHOOL DISTRICT
FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
GENERAL FUND AS OF AUGUST 31, 2001**

UNAUDITED

1	Total General Fund Balance as of 08/31/01	\$ 15,827,049
2	Total Reserved Fund Balance	\$ 2,193,752
3	Total Designated Fund Balance	-
4	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.)	14,788,634
5	Estimate of one month's average cash disbursements during the regular school session (9/1/01-5/31/02).	<u>9,165,508</u>
6	Optimum Fund Balance and Cash Flow (Lines 2+3+4+5)	<u>26,147,894</u>
7	Excess (Deficit) Undesignated Unreserved General Fund Balance (Line 1 minus Line 6)	<u><u>\$(10,320,845)</u></u>

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FEDERAL AWARDS SECTION

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

**REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
[No Reportable Instances of Noncompliance and No Material Weaknesses
(No Reportable Conditions Identified)]**

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 the Midland Independent School District (the "District") as of and for the year ended August 31, 2001, and have issued our report thereon dated October 31, 2001. 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, 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*

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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. We noted no matters involving the internal control over financial reporting 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, and pass-through entities, and for filing with the TEA, and is not intended to be and should not be used by anyone other than those specified parties.

Edms, Fairs & Company

October 31, 2001
Midland, Texas



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

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

*[Unqualified Opinion on Compliance and No Material Weaknesses
(No Reportable Conditions Identified)]*

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, 2001. 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, 2001 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, 2001. 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. Our consideration of the internal control over compliance 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.

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

A handwritten signature in cursive script that reads "Ems, Farris & Company". The signature is written in black ink and is positioned in the center of the page.

October 31, 2001
Midland, Texas

**MIDLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2001**

SUMMARY OF THE AUDITORS' RESULTS	
PROGRAM	DESCRIPTION
Type of Report of Financial Statements	Unqualified opinion
Reportable Conditions	None
Material Weaknesses Involving Reportable Conditions	None
Noncompliance material to the financial statements	No instances of noncompliance.
Type of Report on Compliance with major programs	Unqualified opinion
Findings and Questioned Costs for Federal Awards as Defined in OMB Circular A-133	No material findings or questioned costs.
Major Federal Programs	84.010A ESEA Title I, Part A 93.600 Head Start 10.553 National School Lunch Program 10.555 National School Breakfast Program
Dollar Threshold Considered Between Type A and Type B Federal Programs	\$300,000
Low Risk Auditee Statements	Midland Independent School District was not classified as a low-risk auditee in the context of OMB Circular A-133.
FINDINGS RELATING TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED UNDER GAGAS	None
FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS	None

**MIDLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2001**

PROGRAM

**STATUS OF PRIOR
FINDING/NONCOMPLIANCE**

NO PRIOR YEAR FINDINGS

**MIDLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2001**

EXHIBIT D-1

PROJECT NUMBER	FEDERAL GRANTOR PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	EXPENDITURES, INDIRECT COSTS AND REFUNDS
<u>Passed-Through State Department of Education</u>			
1691001165901	ESEA Title IV - Safe & Drug Free Schools	84.186A	\$ 98,486
2691001165901	ESEA Title IV - Safe & Drug Free Schools	84.168A	4,936
062007135023600	Goals 2000: Educate America Act Title III	84.276A	76,008 (1)
062007135017600	Goals 2000: Educate America Act Title III	84.276A	57,032 (2)
062005335002700	Goals 2000: Educate America Act Title III	84.276A	28,592 (3)
062005335002600	Goals 2000: Educate America Act Title III	84.276A	58,867 (4)
169400165901	ESEA Title II, Pt B - Eisenhower Professional Development	84.281A	82,172 (5)
2694001165901	ESEA Title II, Pt B - Eisenhower Professional Development	84.281A	4,184
1610101165901	ESEA Title I, Pt A - Improving Basic Programs	84.010A	2,869,277 (6)
2610101165901	ESEA Title I, Pt A - Improving Basic Programs	84.010A	20,663
16150011659011	ESEA Title I, Pt C - Education of Migratory Children	84.011	203,843 (7)
166000116590111	IDEA-B, Formula	84.027	1,226,997 (8)
166000416590111	IDEA-B, Capital Bldg. & Improvement	84.027	338 (9)
266000116590122	IDEA-B, Formula	84.027	35,845
166100116590111	IDEA-B, Preschool	84.173	83,390
166000216590111	IDEA-B, Discretionary (Deaf)	84.027	9,022 (10)
266000216590122	IDEA-B, Discretionary (Deaf)	84.027	213
166000116590111	IDEA-B, Formula (Deaf)	84.027	8,159
166000416590111	IDEA-B, Capital Bldg. & Improvement (Deaf)	84.027	400
166100116590111	IDEA-B, Preschool (Deaf)	84.173	1,948
1685001165901	ESEA Title VI, Innovative Education	84.298	127,520 (11)
2685001165901	ESEA Title VI, Innovative Education	84.298	25
142000616590118	Vocational Education - Basic Grant	84.048A9	217,716
242000616590118	Vocational Education - Basic Grant	84.048A9	5,983
139110116590111	IDEA-C, Early Intervention	84.181A	204 (12)
1686001165901	ESEA, Title VI, Class Reduction	84.340A	558,926
2616001165901116	Title I, Comprehensive School Reform	84.332A	22,767
16000182140359	25% Library Supplement	84.999	5,111
16000182140359	25% Library Supplement	84.298	4,804
<u>Passed-Through Region XIII Education Service Center</u>			
165901/041	ESEA, Title VI, Innovative Education (Mentor)	84.298	3,062
<u>U.S. Department of Health & Human Services</u>			
G-06CH699430	Head Start	93.600	22,792
G-06CH699431	Head Start	93.600	1,580,108
<u>U.S. Department of Education</u>			
T195B000076	Bilingual Education Professional Development	84.195B	161,266
S165A010077	Magnet Schools Assistance	84.165A	24,400
<u>U.S. Department of Defense</u>			
	Air Force Junior ROTC	N/A	5,549
<u>U.S. Department of Agriculture</u>			
	National School Breakfast & Lunch Program	10.553/10.555	4,392,182
	Commodities	10.565	278,208
<u>Passed-Through Texas Department of Human Services</u>			
165-1002	Summer Feeding Program	10.559	77,726
	TOTAL		\$ 12,358,721

Includes indirect costs of:

(1)	\$834
(2)	801
(3)	401
(4)	817
(5)	1,337
(6)	40,524
(7)	3,003
(8)	15,941
(9)	5
(10)	10
(11)	805
(12)	3
	<u>\$64,481</u>

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**MIDLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2001**

1. The District utilized the fund types specified in the 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.

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