

**MIDLOTHIAN  
INDEPENDENT SCHOOL DISTRICT**

**Financial Report For the Year Ended**

**June 30, 2007**



**MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT**  
 Financial Report  
 For the Year Ended June 30, 2007

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**MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT**  
 Financial Report  
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**CERTIFICATE OF BOARD**

|   |              |                   |
|---|--------------|-------------------|
| <u>Midlothian Independent School District</u> | <u>Ellis</u> | <u>070-908</u>    |
| Name of School District                       | County       | Co.- Dist. Number |

We, the undersigned, certify that the attached financial reports of the above-named school district were reviewed and ( X ) approved ( ) disapproved for the year ended June 30, 2007, at a meeting of the Board of School Trustees of such school district on the 15th day of October, 2007.

/s/ Jay Roberts  
Signature of Board Secretary

/s/ Duke Burge  
Signature of Board President

If the auditor's report was disapproved, the reason(s) therefore is/are (attach list if necessary):



**FINANCIAL SECTION**



**PINGLETON, HOWARD & COMPANY, P. C.**

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AICPA DIVISION FOR CPA FIRMS  
TEXAS SOCIETY OF CPAs

**UNQUALIFIED OPINION ON BASIC FINANCIAL STATEMENTS  
ACCOMPANIED BY REQUIRED SUPPLEMENTAL INFORMATION AND OTHER  
SUPPLEMENTARY INFORMATION  
AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Independent Auditor's Report**

Board of School Trustees  
**Midlothian Independent School District**  
100 Walter Stephenson Road  
Midlothian, Texas 76065

Members of the Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Midlothian Independent School District, Midlothian Texas (the District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's administrators. Our responsibility is to express an opinion on them based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, each major fund, and the aggregate remaining fund information of Midlothian Independent School District as of June 30, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 3 through 9 and the budgetary comparison information on pages 42 and 58 through 59 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2007 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the T.E.A. required schedules listed in the table of contents are presented for additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the T.E.A. required schedules (except for Exhibit G-3, the Fund Balance and Cash Flow Calculation Worksheet, which is marked UNAUDITED and on which we express no opinion) have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*/s/ Pingleton, Howard & Company, P.C.*

September 26, 2007

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the **Midlothian Independent School District** annual financial report presents our discussion and analysis of the District's financial performance during the fiscal period ended June 30, 2007. Please read it in conjunction with the District's financial statements, which follow this section.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Assets (Exhibit A-1, page 12) and the Statement of Activities (Exhibit B-1, page 13). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting with Exhibit C-1, pages 14-15) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District.

The notes to the financial statements (starting on page 22, following Exhibit D-1) provide narrative explanations or additional data needed for full disclosure in the government-wide statements of the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. These are not required by TEA (Texas Education Agency) and are contained in Exhibits F-1 and F-2, pages 44-51.

The sections labeled "Required T.E.A. Schedules" and "Federal Awards Section" contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

### REPORTING THE DISTRICT AS A WHOLE

#### *Government-wide Statements: The Statement of Net Assets and the Statement of Activities*

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets, Exhibit A-1, includes all of the government's assets and liabilities. The Statement of Activities, Exhibit B-1, accounts for all of the current period's revenues and expenses.

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

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

Within the government-wide financial statements of the District, most of the District's basic services are included, such as instruction, extracurricular activities, curriculum and staff development, health services, and general administration. Property taxes, grants and state revenues finance most of the activities.

## **REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS**

### ***Fund Financial Statements***

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

- Some funds are required by State law and bond covenants.
- Other funds are established to control and manage money for particular purposes or to show that the District is properly using certain taxes and grants.

The District has two kinds of funds:

- *Governmental funds* – Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances at the end of the fiscal period. The governmental funds statements provide a detailed, short-term view of the District's general operations and the basic services it provides. The differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in reconciliation narratives following each of the fund financial statements. (See Exhibits C-2 and C-4, pages 17 and 20)
- *Fiduciary funds* – The District is the trustee, or *fiduciary*, for money raised by student activities and alumnae scholarship programs. All of the District's fiduciary activities are reported in the Statement of Fiduciary Net Assets. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## **FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

The District implemented GASB Statement #34 in the period ended August 31, 2002. As a result, the reader will find comparative information concerning the fiscal years ended June 30, 2007 and June 30, 2006.

**Net assets.** (See Table A-1, next page). The District's combined net assets were \$4,453,329 on June 30, 2007, compared to \$5,348,741 at June 30, 2006. Noncurrent liabilities, specifically bonds payable, increased, as debt was issued early in the fiscal year to provide funding for renovations to existing schools and construction of a new elementary school.

**Table A-1  
The District's Net Assets**

|   | <b>Governmental<br/>Activities</b> |                    | <b>Percentage<br/>Change</b> |
|---|------------------------------------|--------------------|------------------------------|
|   | <b>2007</b>                        | <b>2006</b>        |                              |
| Current and Other Assets                          | \$ 63,388,637                      | 42,487,639         | 49.2%                        |
| Capital and Non-Current Assets                    | <u>142,689,110</u>                 | <u>129,757,270</u> | 10.0%                        |
| Total Assets                                      | 206,077,747                        | 172,244,909        | 19.6%                        |
| Current Liabilities                               | 14,957,961                         | 15,193,836         | (1.6%)                       |
| Long Term Liabilities                             | <u>186,666,457</u>                 | <u>151,702,332</u> | 23.0%                        |
| Total Liabilities                                 | 201,624,418                        | 166,896,168        | 20.8%                        |
| Net Assets  |                                    |                    |                              |
| Invested in Capital Assets<br>net of related debt | (13,014,958)                       | (22,542,388)       | 42.3%                        |
| Restricted  | 7,668,587                          | 19,260,014         | (60.2%)                      |
| Unrestricted                                      | <u>9,799,700</u>                   | <u>8,631,115</u>   | 13.5%                        |
| Total Net Assets                                  | \$ 4,453,329                       | 5,348,741          | (16.7%)                      |

**Governmental Activities** (Table A-2, next page)

- Property tax rates decreased from the prior year, to \$1.6975 per \$100 of taxable value. Because of increased property values, overall tax revenues increased \$2,043,968.
- The increase in state funding was due to an increase in student enrollment and to changes in methods of calculating state aid.
- Investment earnings were up sharply due to interest rates remaining high, and to bond proceeds that were received early in the current fiscal year being available to earn interest income.
- Expenses overall increased at roughly the same percentage as revenue growth due to growing student enrollment.
- Increased debt service costs were due to issuing new debt.

**Table A-2  
Changes in Net Assets**

|  | <b>Governmental<br/>Activities</b> |                    | <b>Total %<br/>Change</b> |
|--|------------------------------------|--------------------|---------------------------|
|  | <b><u>2007</u></b>                 | <b><u>2006</u></b> |                           |
| <b>Revenues</b>                                |                                    |                    |                           |
| <b>General Revenues</b>                        |                                    |                    |                           |
| Property taxes                                 | \$ 46,014,481                      | 43,970,513         | 4.6%                      |
| State aid – formula                            | 10,326,931                         | 5,711,058          | 80.8%                     |
| Investment earnings                            | 3,384,435                          | 2,485,048          | 36.2%                     |
| Other  | <u>1,552,864</u>                   | <u>1,070,422</u>   | 45.1%                     |
| Total Revenues                                 | \$ 61,278,711                      | 53,237,041         | 15.1%                     |
| <b>Expenses</b>                                |                                    |                    |                           |
| Instruction and instructional related          | \$ 28,942,890                      | 23,763,147         | 21.8%                     |
| Instructional leadership/school administration | 3,121,359                          | 2,880,832          | 8.3%                      |
| Guidance, social work, health, transportation  | 3,360,122                          | 3,066,263          | 9.6%                      |
| Food services                                  | 151,744                            | 177,625            | (14.6%)                   |
| Extracurricular activities                     | 2,222,536                          | 1,483,852          | 49.8%                     |
| General administration                         | 1,930,572                          | 1,709,048          | 13.0%                     |
| Plant maintenance and security                 | 5,258,365                          | 3,986,906          | 31.9%                     |
| Data processing services                       | 804,532                            | 610,446            | 31.8%                     |
| Community services                             | 9,495                              | 184                | 5,060.3%                  |
| Debt service                                   | 9,141,687                          | 8,067,384          | 13.3%                     |
| Payments to Tax Increment Fund                 | <u>7,230,821</u>                   | <u>6,818,277</u>   | 6.1%                      |
| Total Expenses                                 | \$ 62,174,123                      | 52,563,964         | 18.3%                     |
| <b>Increase/(Decrease) in Net Assets</b>       | (895,412)                          | 673,077            | (233.0%)                  |
| <b>Beginning Net Assets</b>                    | 5,348,741                          | 4,675,664          | 14.4%                     |
| <b>Ending Net Assets</b>                       | \$ 4,453,329                       | 5,348,741          | (16.7%)                   |

Table A-3 on the next page presents the cost of each of the District's largest functions as well as each function's *net cost* (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all governmental activities this period was \$69,221,620.
- The amount that our taxpayers paid for these governmental activities through property taxes was \$46,014,481.
- Some of the cost (\$2,576,236) was paid by those who directly benefited from the programs, or
- By grants and contributions \$4,471,261.

**Table A-3  
Net Cost of Selected District Functions**

|  | <b>Total Cost of Services</b> |             | <b>% Change</b> | <b>Net Cost of Services</b> |             | <b>% Change</b> |
|--|-------------------------------|-------------|-----------------|-----------------------------|-------------|-----------------|
|  | <b>2007</b>                   | <b>2006</b> |                 | <b>2007</b>                 | <b>2006</b> |                 |
| Instruction                            | \$30,628,499                  | 25,451,608  | 20.3%           | \$27,708,421                | 22,805,488  | 21.5%           |
| School Administration                  | 2,840,644                     | 2,544,930   | 11.6%           | 2,679,365                   | 2,415,810   | 10.9%           |
| Plant Maintenance & Operations         | 5,355,798                     | 3,996,801   | 34.0%           | 5,089,539                   | 3,838,121   | 32.6%           |
| Debt Service-Interest & Fiscal Charges | 9,141,687                     | 8,067,384   | 13.3%           | 9,141,687                   | 8,067,384   | 13.3%           |
| Payment to Tax Increment Fund          | 7,230,821                     | 6,818,277   | 6.1%            | 7,230,821                   | 6,818,277   | 6.1%            |

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

As the District completed the period, its governmental funds (as presented in the balance sheet on Exhibit C-1, pages 14-15) reported a combined fund balance of \$54,858,281, as compared to a fund balance ending June 30, 2006 of \$32,318,412. The increase in fund balance is primarily due to a \$19,111,644 increase in the fund balance of the Capital Projects Fund, a \$1,227,018 increase in the General Fund, and a \$1,879,114 increase in the Debt Service Fund.

**General Fund Budgetary Highlights**

During the course of the period, the District reviews and revises its budget on a monthly basis in accordance with TEA FARG standards. General Fund revenues for the fiscal period ended June 30, 2007 did not meet budget by \$738,775. This was due to earned state revenues being lower than initially projected.

Expenditures were under budget by \$2,254,833. While we had formally budgeted no increase to fund balance, as a result of expenditures being less than projected our fund balance this year increased to \$12,066,761 from last year's \$10,839,743, an increase of \$1,227,018. At the end of fiscal year 2006, the ending fund balance of \$10.84 million represented 21.4% of the initial 2006-2007 operating budget. At fiscal year-end 2007, the ending fund balance of \$12.07 million represented 21.9% of the 2007-2008 operating budget. Because our fiscal year now begins in July, a larger fund balance is needed than when our fiscal year began on September 1, as we operate for a longer period of time during the fiscal year before we receive state aid and tax revenues for that year.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

At the end of fiscal year 2007, the District had invested \$187,139,780 in a broad range of capital assets, including land, equipment, buildings, and construction in progress. (See Table A-4, below.) Additional information on capital assets is contained in Note 4, Section E of the Notes to the Financial Statements.

| <b>Table A-4<br/>District's Capital Assets<br/>Governmental Activities</b> |                      |                    |                       |
|--|----------------------|--------------------|-----------------------|
|  | <u>2007</u>          | <u>2006</u>        | <u>Total % Change</u> |
| Land   | \$ 4,706,480         | 4,233,252          | 11.2%                 |
| Buildings and improvements   | 128,856,353          | 114,067,032        | 13.0%                 |
| Construction in progress   | 48,459,492           | 47,941,250         | 1.1%                  |
| Furniture & Equipment  | 2,030,309            | 1,778,504          | 14.2%                 |
| Vehicles   | <u>3,087,146</u>     | <u>2,937,847</u>   | 5.1%                  |
| Totals at historical cost  | \$187,139,780        | 170,957,885        | 9.5%                  |
| Total accumulated depreciation   | <u>44,450,670</u>    | <u>41,200,615</u>  | 7.9%                  |
| Net capital assets   | <u>\$142,689,110</u> | <u>129,757,270</u> | 10.0%                 |

At the 2007 period-end, the District had \$190,146,046 in bonds and lease obligations outstanding (see Table A-5 below) as compared to \$154,061,947 at the 2006 year-end. Additional information on these items can be found in Note 4, Sections G and H, of the Notes to the Financial Statements.

| <b>Table A-5<br/>District's Long Term Debt</b> |                                    |                    |                     |
|--|------------------------------------|--------------------|---------------------|
|  | <b>Governmental<br/>Activities</b> |                    | <b>%<br/>Change</b> |
|  | <u>2007</u>                        | <u>2006</u>        |                     |
| Lease Obligations (at Present Value)           | \$ 2,078,384                       | 2,196,057          | (5.4%)              |
| Bonds Payable                                  | <u>188,067,662</u>                 | <u>151,865,890</u> | 23.8%               |
| Total Bonds & Notes Payable                    | \$190,146,046                      | 154,061,947        | 23.4%               |

The District's bonds presently carry "Aaa" ratings, with underlying ratings as follows:

|                           |      |
|---------------------------|------|
| Moody's Investor Services | "A2" |
| Fitch                     | "A-" |

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES**

- Appraised value used for the 2007-08 budget preparation has increased approximately \$276.7 million, which represents an increase of 13.1% from 2006-07 budget values.
- The District’s 2007-08 refined average daily attendance is expected to be approximately 6,694, which represents a 5.6% increase over 2006-07.

These indicators were taken into account when adopting the general fund budget for fiscal 2008. Revenues available for appropriation in the general fund budget (net of Tax Increment Reinvestment Zone, or TIRZ, pass-through revenues) are \$47,753,318, an increase from the actual 2006-07 revenues of \$44,110,895. Salaries comprise over 80% of the General fund expenditure budget, and these are expected to increase during the coming fiscal year due to additional staff and personnel needed for the increased enrollment. Other operating expenditures (such as utilities, maintenance, security, etc.) can also be expected to increase with the additional projected enrollment. The District has budgeted a balanced budget (wherein revenues equal expenditures, with no increase or decrease to fund balance) for the 2007-08 fiscal year. The Maintenance and Operating (M&O) tax rate should decline next year, due to legislation passed in the summer of 2006. The Interest & Sinking (I&S) tax rate is anticipated to remain the same as in 2006-07.

Midlothian ISD Tax Rate History

| School Year | M&O       | I&S       | Total    |
|-------------|-----------|-----------|----------|
| 1996-1997   | \$1.4100  | \$0.2900  | \$1.7000 |
| 1997-1998   | \$1.3737  | \$0.2850  | \$1.6587 |
| 1998-1999   | \$1.3700  | \$0.2700  | \$1.6400 |
| 1999-2000   | \$1.4675  | \$0.1924  | \$1.6599 |
| 2000-2001   | \$1.4000  | \$0.3097  | \$1.7097 |
| 2001-2002   | \$1.5000  | \$0.2200  | \$1.7200 |
| 2002-2003   | \$1.48255 | \$0.23745 | \$1.7200 |
| 2003-2004   | \$1.5000  | \$0.2200  | \$1.7200 |
| 2004-2005   | \$1.5000  | \$0.2645  | \$1.7645 |
| 2005-2006   | \$1.5000  | \$0.2875  | \$1.7875 |
| 2006-2007   | \$1.3700  | \$0.3275  | \$1.6975 |

**CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District’s finances, and to demonstrate the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District’s Chief Financial Officer at (972) 775-8296.

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## **BASIC FINANCIAL STATEMENTS**

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2007

| Data<br>Control<br>Codes                             | Primary Government<br><br>Governmental<br>Activities |
|--|--|
| <b>ASSETS</b>  |  |
| 1110 Cash and Cash Equivalents                       | \$ 59,145,906  |
| 1220 Property Taxes Receivable (Delinquent)          | 2,047,021  |
| 1230 Allowance for Uncollectible Taxes               | (204,703)  |
| 1240 Due from Other Governments                      | 4,223,573  |
| 1290 Other Receivables, net                          | 28,206   |
| 1300 Inventories                                     | 46,223   |
| 1410 Deferred Expenses                               | 5,106  |
| 1420 Capitalized Bond and Other Debt Issuance Costs  | 1,543,349  |
| 1430 Premium or Discount on Issuance of Debt         | (3,446,044)  |
| Capital Assets:                                      |  |
| 1510 Land  | 4,706,480  |
| 1520 Buildings, Net                                  | 87,587,994   |
| 1530 Furniture and Equipment, Net                    | 997,263  |
| 1540 Vehicles, Net                                   | 937,881  |
| 1580 Construction in Progress                        | 48,459,492   |
| 1000 Total Assets                                    | 206,077,747  |
| <b>LIABILITIES</b>                                   |  |
| 2110 Accounts Payable                                | 2,361,622  |
| 2140 Interest Payable                                | 2,887,640  |
| 2160 Accrued Wages Payable                           | 4,459,864  |
| 2180 Due to Other Governments                        | 626,885  |
| 2200 Accrued Expenses                                | 1,142,362  |
| Noncurrent Liabilities                               |  |
| 2501 Due Within One Year                             | 3,479,588  |
| 2502 Due in More Than One Year                       | 186,666,457  |
| 2000 Total Liabilities                               | 201,624,418  |
| <b>NET ASSETS</b>                                    |  |
| 3200 Invested in Capital Assets, Net of Related Debt | (13,014,958)   |
| 3820 Restricted for Federal and State Programs       | 216,791  |
| 3850 Restricted for Debt Service                     | 5,170,070  |
| 3860 Restricted for Capital Projects                 | 2,281,726  |
| 3900 Unrestricted Net Assets                         | 9,799,700  |
| 3000 Total Net Assets                                | \$ 4,453,329   |

The notes to the financial statements are an integral part of this statement.

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2007

EXHIBIT B-1

| Data  | Program Revenues     |  |                     | Net (Expense)       |
|---|----------------------|--|---------------------|---------------------|
| Control   | 1                    | 3  | 4                   | Revenue and         |
| Codes   | Expenses             | Charges for                                  | Operating           | Changes in Net      |
|   |                      | Services                                     | Grants and          | Assets              |
|   |                      |  | Contributions       | Primary Gov.        |
|   |                      |  |                     | Governmental        |
|   |                      |  |                     | Activities          |
| <b>Primary Government:</b>                        |                      |  |                     |                     |
| GOVERNMENTAL ACTIVITIES:                          |                      |  |                     |                     |
| 11 Instruction                                    | \$ 30,628,499        | \$ 35,056                                    | \$ 2,885,022        | \$ (27,708,421)     |
| 12 Instructional Resources and Media Services     | 1,057,619            | -  | 29,195              | (1,028,424)         |
| 13 Curriculum and Instructional Staff Development | 347,508              | -  | 141,463             | (206,045)           |
| 21 Instructional Leadership                       | 466,543              | -  | 24,549              | (441,994)           |
| 23 School Leadership                              | 2,840,644            | -  | 161,279             | (2,679,365)         |
| 31 Guidance, Counseling and Evaluation Services   | 1,724,096            | -  | 320,792             | (1,403,304)         |
| 32 Social Work Services                           | 90,000               | -  | 71,741              | (18,259)            |
| 33 Health Services                                | 414,200              | -  | 21,925              | (392,275)           |
| 34 Student (Pupil) Transportation                 | 1,611,326            | -  | 65,042              | (1,546,284)         |
| 35 Food Services                                  | 2,050,313            | 1,410,046                                    | 488,523             | (151,744)           |
| 36 Cocurricular/Extracurricular Activities        | 2,953,730            | 671,358                                      | 59,836              | (2,222,536)         |
| 41 General Administration                         | 1,984,603            | -  | 54,031              | (1,930,572)         |
| 51 Plant Maintenance and Operations               | 5,355,798            | 161,965                                      | 104,294             | (5,089,539)         |
| 52 Security and Monitoring Services               | 177,581              | -  | 8,755               | (168,826)           |
| 53 Data Processing Services                       | 838,701              | -  | 34,169              | (804,532)           |
| 61 Community Services                             | 307,951              | 297,811                                      | 645                 | (9,495)             |
| 72 Debt Service - Interest on Long Term Debt      | 9,078,977            | -  | -                   | (9,078,977)         |
| 73 Debt Service - Bond Issuance Cost and Fees     | 62,710               | -  | -                   | (62,710)            |
| 97 Payments to Tax Increment Fund                 | 7,230,821            | -  | -                   | (7,230,821)         |
| [TP] TOTAL PRIMARY GOVERNMENT:                    | <u>\$ 69,221,620</u> | <u>\$ 2,576,236</u>                          | <u>\$ 4,471,261</u> | <u>(62,174,123)</u> |
| Data  | General Revenues:    |  |                     |                     |
| Control   | Taxes:               |  |                     |                     |
| Codes   | MT                   | Property Taxes, Levied for General Purposes  |                     | 37,169,693          |
|   | DT                   | Property Taxes, Levied for Debt Service      |                     | 8,844,788           |
|   | SF                   | State Aid - Formula Grants                   |                     | 10,326,931          |
|   | IE                   | Investment Earnings                          |                     | 3,384,435           |
|   | MI                   | Miscellaneous Local and Intermediate Revenue |                     | 1,552,864           |
|   | TR                   | Total General Revenues                       |                     | <u>61,278,711</u>   |
|   | CN                   | Change in Net Assets                         |                     | (895,412)           |
|   | NB                   | Net Assets--Beginning                        |                     | 5,348,741           |
|   | NE                   | Net Assets--Ending                           |                     | <u>\$ 4,453,329</u> |

The notes to the financial statements are an integral part of this statement.

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007

| Data<br>Control<br>Codes                        | 10<br>General<br>Fund | 50<br>Debt Service<br>Fund | 60<br>Capital<br>Projects |
|---|-----------------------|----------------------------|---------------------------|
| <b>ASSETS</b>                                   |                       |                            |                           |
| 1110 Cash and Cash Equivalents                  | \$ 13,840,344         | \$ 5,150,512               | \$ 39,650,074             |
| 1220 Property Taxes - Delinquent                | 1,694,125             | 352,896                    | -                         |
| 1230 Allowance for Uncollectible Taxes (Credit) | (169,413)             | (35,290)                   | -                         |
| 1240 Due from Other Governments                 | 3,568,415             | 19,558                     | -                         |
| 1290 Other Receivables                          | 19,366                | -                          | -                         |
| 1300 Inventories                                | 46,223                | -                          | -                         |
| 1410 Deferred Expenditures                      | 5,106                 | -                          | -                         |
| 1000 Total Assets                               | <u>\$ 19,004,166</u>  | <u>\$ 5,487,676</u>        | <u>\$ 39,650,074</u>      |
| <b>LIABILITIES AND FUND BALANCES</b>            |                       |                            |                           |
| Liabilities:                                    |                       |                            |                           |
| 2110 Accounts Payable                           | \$ 543,897            | \$ -                       | \$ 1,784,009              |
| 2160 Accrued Wages Payable                      | 4,242,125             | -                          | -                         |
| 2180 Due to Other Governments                   | 626,671               | -                          | -                         |
| 2200 Accrued Expenditures                       | -                     | -                          | 1,142,362                 |
| 2300 Deferred Revenues                          | 1,524,712             | 317,606                    | -                         |
| 2000 Total Liabilities                          | <u>\$ 6,937,405</u>   | <u>\$ 317,606</u>          | <u>\$ 2,926,371</u>       |
| Fund Balances:                                  |                       |                            |                           |
| Reserved For:                                   |                       |                            |                           |
| 3410 Investments in Inventory                   | \$ 46,223             | \$ -                       | \$ -                      |
| 3420 Retirement of Long Term Debt               | -                     | 5,170,070                  | -                         |
| 3430 Prepaid Items                              | 5,106                 | -                          | -                         |
| 3440 Outstanding Encumbrances                   | 275,427               | -                          | -                         |
| 3450 Food Service                               | -                     | -                          | -                         |
| Unreserved Designated For:                      |                       |                            |                           |
| 3510 Construction                               | 6,576,000             | -                          | 36,723,703                |
| 3530 Capital Expenditures for Equipment         | 340,000               | -                          | -                         |
| 3590 Other Purposes                             | 584,000               | -                          | -                         |
| Unreserved and Undesignated:                    |                       |                            |                           |
| 3600 Reported in the General Fund               | 4,240,005             | -                          | -                         |
| 3610 Reported in Special Revenue Funds          | -                     | -                          | -                         |
| 3000 Total Fund Balances                        | <u>\$ 12,066,761</u>  | <u>\$ 5,170,070</u>        | <u>\$ 36,723,703</u>      |
| 4000 Total Liabilities and Fund Balances        | <u>\$ 19,004,166</u>  | <u>\$ 5,487,676</u>        | <u>\$ 39,650,074</u>      |

The notes to the financial statements are an integral part of this statement.

| Other<br>Funds      | Total<br>Governmental<br>Funds |
|---------------------|--------------------------------|
| \$ 504,976          | \$ 59,145,906                  |
| -                   | 2,047,021                      |
| -                   | (204,703)                      |
| 635,600             | 4,223,573                      |
| 8,840               | 28,206                         |
| -                   | 46,223                         |
| -                   | 5,106                          |
| <u>\$ 1,149,416</u> | <u>\$ 65,291,332</u>           |
| <br>                |                                |
| \$ 33,716           | \$ 2,361,622                   |
| 217,739             | 4,459,864                      |
| 214                 | 626,885                        |
| -                   | 1,142,362                      |
| -                   | 1,842,318                      |
| <u>\$ 251,669</u>   | <u>\$ 10,433,051</u>           |
| <br>                |                                |
| \$ -                | \$ 46,223                      |
| -                   | 5,170,070                      |
| -                   | 5,106                          |
| -                   | 275,427                        |
| 216,791             | 216,791                        |
| -                   | 43,299,703                     |
| -                   | 340,000                        |
| -                   | 584,000                        |
| -                   | 4,240,005                      |
| 680,956             | 680,956                        |
| <u>\$ 897,747</u>   | <u>\$ 54,858,281</u>           |
| <br>                |                                |
| <u>\$ 1,149,416</u> | <u>\$ 65,291,332</u>           |

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MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
 STATEMENT OF NET ASSETS  
 JUNE 30, 2007

|   |           |                  |
|---|-----------|------------------|
| <b>Total Fund Balances - Governmental Funds</b>   | \$        | 54,858,281       |
| <b>1</b> Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$170,957,885 and the accumulated depreciation was \$41,200,615. In addition, long-term liabilities, including bonds payable of \$135,279,333 and capital leases payable of \$2,196,057, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net assets. |           | (7,718,120)      |
| <b>2</b> Current year capital outlays of \$16,181,895 and long-term debt principal payments of \$2,359,616 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase net assets.   |           | 18,541,511       |
| <b>3</b> Accrued interest payable on long-term debt is not included on the fund financial statements, but is shown on the government-wide financial statements. The effect of including accrued interest payable is to decrease net assets.   |           | (2,887,640)      |
| <b>4</b> Accreted interest on capital appreciation bonds is not included on the fund financial statements, but is shown on the government-wide financial statements. The effect of including accreted interest is to decrease net assets.   |           | (19,760,271)     |
| <b>5</b> The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.   |           | (3,250,055)      |
| <b>6</b> Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net assets.   |           | (35,330,377)     |
| <b>19 Net Assets of Governmental Activities</b>   | <b>\$</b> | <b>4,453,329</b> |

The notes to the financial statements are an integral part of this statement.

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2007

| Data Control Codes   | 10<br>General<br>Fund | 50<br>Debt Service<br>Fund | 60<br>Capital<br>Projects |
|--|-----------------------|----------------------------|---------------------------|
| <b>REVENUES:</b>   |                       |                            |                           |
| 5700 Total Local and Intermediate Sources                      | \$ 39,603,265         | \$ 9,077,127               | \$ 2,281,726              |
| 5800 State Program Revenues                                    | 11,738,451            | 376,089                    | -                         |
| 5900 Federal Program Revenues                                  | -                     | -                          | -                         |
| 5020 Total Revenues  | <u>51,341,716</u>     | <u>9,453,216</u>           | <u>2,281,726</u>          |
| <b>EXPENDITURES:</b>   |                       |                            |                           |
| <b>Current:</b>  |                       |                            |                           |
| 0011 Instruction   | 25,257,536            | -                          | -                         |
| 0012 Instructional Resources and Media Services                | 768,131               | -                          | -                         |
| 0013 Curriculum and Instructional Staff Development            | 213,464               | -                          | -                         |
| 0021 Instructional Leadership                                  | 460,082               | -                          | -                         |
| 0023 School Leadership   | 2,709,158             | -                          | -                         |
| 0031 Guidance, Counseling and Evaluation Services              | 1,470,751             | -                          | -                         |
| 0032 Social Work Services                                      | 40,000                | -                          | -                         |
| 0033 Health Services   | 413,605               | -                          | -                         |
| 0034 Student (Pupil) Transportation                            | 1,426,911             | -                          | -                         |
| 0035 Food Services   | -                     | -                          | -                         |
| 0036 Cocurricular/Extracurricular Activities                   | 1,923,379             | -                          | -                         |
| 0041 General Administration                                    | 1,890,789             | -                          | -                         |
| 0051 Facilities Maintenance and Operations                     | 5,146,368             | -                          | -                         |
| 0052 Security and Monitoring Services                          | 162,886               | -                          | -                         |
| 0053 Data Processing Services                                  | 740,271               | -                          | -                         |
| 0061 Community Services  | -                     | -                          | -                         |
| <b>Debt Service:</b>   |                       |                            |                           |
| 0071 Debt Service - Principal on Long Term Debt                | 117,673               | 2,241,943                  | -                         |
| 0072 Debt Service - Interest on Long Term Debt                 | 113,047               | 7,235,832                  | -                         |
| 0073 Debt Service - Bond Issuance Cost and Fees                | -                     | 10,521                     | -                         |
| <b>Capital Outlay:</b>   |                       |                            |                           |
| 0081 Facilities Acquisition and Construction                   | 9,861                 | -                          | 18,440,082                |
| <b>Intergovernmental:</b>                                      |                       |                            |                           |
| 0097 Payments to Tax Increment Fund                            | 7,230,821             | -                          | -                         |
| 6030 Total Expenditures  | <u>50,094,733</u>     | <u>9,488,296</u>           | <u>18,440,082</u>         |
| 1100 Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>1,246,983</u>      | <u>(35,080)</u>            | <u>(16,158,356)</u>       |
| <b>OTHER FINANCING SOURCES (USES):</b>                         |                       |                            |                           |
| 7911 Capital Related Debt Issued (Regular Bonds)               | -                     | 3,923,291                  | 35,270,000                |
| 7915 Transfers In  | -                     | -                          | -                         |
| 8911 Transfers Out (Use)                                       | (19,965)              | -                          | -                         |
| 8949 Other (Uses)  | -                     | (2,009,097)                | -                         |
| 7080 Total Other Financing Sources (Uses)                      | <u>(19,965)</u>       | <u>1,914,194</u>           | <u>35,270,000</u>         |
| 1200 Net Change in Fund Balances                               | 1,227,018             | 1,879,114                  | 19,111,644                |
| 0100 Fund Balance - July 1 (Beginning)                         | <u>10,839,743</u>     | <u>3,290,956</u>           | <u>17,612,059</u>         |
| 3000 Fund Balance - June 30 (Ending)                           | <u>\$ 12,066,761</u>  | <u>\$ 5,170,070</u>        | <u>\$ 36,723,703</u>      |

The notes to the financial statements are an integral part of this statement.

| Other<br>Funds    | Total<br>Governmental<br>Funds |
|-------------------|--------------------------------|
| \$ 2,326,154      | \$ 53,288,272                  |
| 851,172           | 12,965,712                     |
| <u>1,832,480</u>  | <u>1,832,480</u>               |
| 5,009,806         | 68,086,464                     |
| 1,732,527         | 26,990,063                     |
| 102,881           | 871,012                        |
| 134,044           | 347,508                        |
| 6,461             | 466,543                        |
| 92,086            | 2,801,244                      |
| 253,345           | 1,724,096                      |
| 50,000            | 90,000                         |
| 595               | 414,200                        |
| 3,968             | 1,430,879                      |
| 1,817,432         | 1,817,432                      |
| 181,443           | 2,104,822                      |
| 15,316            | 1,906,105                      |
| 482               | 5,146,850                      |
| 8,039             | 170,925                        |
| 1,108             | 741,379                        |
| 307,951           | 307,951                        |
| -                 | 2,359,616                      |
| -                 | 7,348,879                      |
| -                 | 10,521                         |
| -                 | 18,449,943                     |
| -                 | <u>7,230,821</u>               |
| <u>4,707,678</u>  | <u>82,730,789</u>              |
| <u>302,128</u>    | <u>(14,644,325)</u>            |
| -                 | 39,193,291                     |
| 19,965            | 19,965                         |
| -                 | (19,965)                       |
| -                 | <u>(2,009,097)</u>             |
| <u>19,965</u>     | <u>37,184,194</u>              |
| 322,093           | 22,539,869                     |
| <u>575,654</u>    | <u>32,318,412</u>              |
| <u>\$ 897,747</u> | <u>\$ 54,858,281</u>           |

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2007

|   |           |                  |
|---|-----------|------------------|
| <b>Total Net Change in Fund Balances - Governmental Funds</b>   | \$        | 22,539,869       |
| Current year capital outlays of \$16,181,895 and long-term debt principal payments of \$2,359,616 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the current year capital outlays and debt principal payments is to increase net assets.   |           | 18,541,511       |
| Accrued interest payable on long-term debt is not included on the fund financial statements, but is shown on the government-wide financial statements. The net effect of including accrued interest payable is to decrease net assets.  |           | (611,623)        |
| Accreted interest on capital appreciation bonds is not included on the fund financial statements, but is shown on the government-wide financial statements. The effect of including accreted interest is to decrease net assets.  |           | (3,173,714)      |
| Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.   |           | (3,250,055)      |
| Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets. |           | (34,941,400)     |
| <b>Change in Net Assets of Governmental Activities</b>  | <u>\$</u> | <u>(895,412)</u> |

The notes to the financial statements are an integral part of this statement.

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2007

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|                           | Agency<br>Funds   |
|---------------------------|-------------------|
| <hr/>                     |                   |
| ASSETS                    |                   |
| Cash and Cash Equivalents | \$ 419,493        |
| Total Assets              | <u>\$ 419,493</u> |
| LIABILITIES               |                   |
| Accounts Payable          | \$ 7,805          |
| Due to Student Groups     | 411,688           |
| Total Liabilities         | <u>\$ 419,493</u> |

The notes to the financial statements are an integral part of this statement.

# MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2007

## **NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Midlothian Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants, and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

### **A. Reporting Entity**

The Board is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

### **B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial

-continued-

**MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT**  
Notes to the Financial Statements  
at and for the  
Year Ended June 30, 2007  
-continued-

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**  
(continued)

statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the period for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgements are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible to accrual concept, that is, when they are both measurable and available. The District considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

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

-continued-

**MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT**

Notes to the Financial Statements

at and for the

Year Ended June 30, 2007

-continued-

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**D. Fund Accounting**

The District reports the following major governmental funds:

1. **General Fund** - The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. **Debt Service Fund** - The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.
3. **Capital Projects Fund** - The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

Additionally, the District reports the following fund types:

Governmental Funds:

1. **Special Revenue Funds** - The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Fiduciary Funds:

2. **Agency Funds** - The District accounts for resources held for others in a custodial capacity in agency funds.

**E. Assets, Liabilities, and Net Assets or Equity**

**1. Deposits and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

**2. Due From (To) Other Funds**

Interfund receivables and payables arise from interfund transactions and are recorded in all affected funds in the period in which transactions are executed in the normal course of operations.

-continued-

**MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT**

Notes to the Financial Statements

at and for the

Year Ended June 30, 2007

-continued-

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**E. Assets, Liabilities, and Net Assets or Equity** (continued)

**3. Inventories and Prepaid Items**

The consumption method is used to account for inventories of food products, school supplies and athletic equipment. Under this method, these items are carried in an inventory account of the respective fund at cost, using the first-in, first-out method of accounting and are subsequently charged to expenditures when consumed. In the General Fund, reported inventories are offset by a fund balance reserve indicating that they are unavailable as current expendable financial resources.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**4. Capital Assets**

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the district is depreciated using the straight line method over the following estimated useful lives:

| <u>Assets</u>         | <u>Years</u> |
|-----------------------|--------------|
| Buildings             | 40           |
| Building improvements | 20           |
| Vehicles              | 10           |
| Office equipment      | 7            |
| Computer equipment    | 5            |

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**MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT**

Notes to the Financial Statements

at and for the

Year Ended June 30, 2007

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**E. Assets, Liabilities, and Net Assets or Equity** (continued)

**5. Vacation and Sick Leave**

Vacations are to be taken within the same year they are earned, and any unused days at the end of the year are forfeited. Therefore, no liability has been accrued in the accompanying basic financial statements. Employees of the District are entitled to sick leave based on category/class of employment. Sick leave is allowed to be accumulated but does not vest. Therefore, a liability for unused sick leave has not been recorded in the accompanying basic financial statements.

**6. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

**7. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. As of June 30, 2007, Reserved Fund Balance includes \$46,223 for inventories, \$5,106 for prepaid items, and \$275,427 for outstanding encumbrances in the General Fund. Debt Service Fund reserves total \$5,170,070 for retirement of funded indebtedness as of June 30, 2007. A total of \$36,723,703 has been designated for authorized construction programs in the Capital Projects Fund and \$6,576,000 in the General Fund, with additional General Fund designations of \$340,000 for buses and \$584,000 for other purposes. The Special Revenue Fund reserves total \$216,791 for Food Service.

**8. Data Control Codes**

The Data Control Codes refer to the account code structure prescribed by T.E.A. in the *Financial Accountability System Resources Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with

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**MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT**  
Notes to the Financial Statements  
at and for the  
Year Ended June 30, 2007  
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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**E. Assets, Liabilities, and Net Assets or Equity** (continued)

8. **Data Control Codes** (continued)

the Agency in order to insure accuracy in building a Statewide data base for policy development and funding plans.

9. School Districts are required to report all expenses by function, except certain indirect expenses. General administration and data processing service functions (data control codes 41 and 53, respectively) include expenses that are indirect expenses of other functions. These indirect expenses are not allocated to other functions.

**NOTE 2 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets**

Exhibit C-2 provides a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the full accrual basis of accounting.” The details of this \$(35,330,377) adjustment are as follows:

|  |                               |
|--|-------------------------------|
| Long-term debt:  |                               |
| Issuance of bonds payable after refunding  | \$ (35,270,000)               |
| Premium and issuance costs on bonds  | <u>(1,902,695)</u>            |
|  | <u>(37,172,695)</u>           |
| Deferred revenue:  |                               |
| To remove the current period uncollected tax levy from deferred revenue  | 972,616                       |
| To remove prior year collectible delinquent tax levy receivable from deferred revenue                                | <u>869,702</u>                |
|  | <u>1,842,318</u>              |
| Net adjustment to decrease fund balance - total governmental funds to arrive at net assets - governmental activities | \$ <u><u>(35,330,377)</u></u> |

**B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities**

Exhibit C-4 provides a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “various other

**MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT**

Notes to the Financial Statements

at and for the

Year Ended June 30, 2007

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**NOTE 2 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS** (continued)

**B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities** (continued)

reclassifications are necessary to convert from the modified accrual basis of accounting to the full accrual basis of accounting.” The details of this \$(34,941,400) adjustment are as follows:

Long-term debt:

|  |                     |
|--|---------------------|
| Issuance of bonds payable after refunding        | \$ (35,270,000)     |
| Current year premium and issuance costs on bonds | (40,177)            |
| Current period amortization                      | <u>129,033</u>      |
|  | <u>(35,181,144)</u> |

Taxes:

|   |                  |
|---|------------------|
| To move the current period uncollected tax levy to revenue          | 972,616          |
| To remove the prior year tax collection from current period revenue | <u>(732,872)</u> |
|   | <u>239,744</u>   |

|  |                        |
|--|------------------------|
| Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities | \$ <u>(34,941,400)</u> |
|--|------------------------|

**NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Data**

The Board of Trustees adopts an “appropriated budget” for the General Fund, Debt Service Fund and the Food Service Fund which is included in the Special Revenue Funds. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit E-1 and the other two reports are in Exhibit G-4 and G-5.

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

1. Prior to June 19, the District prepares a budget for the next succeeding fiscal period beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days’ public notice of the meeting must be given.
3. Prior to July 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund

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**MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT**

Notes to the Financial Statements

at and for the

Year Ended June 30, 2007

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**NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY** (continued)

**A. Budgetary Data** (continued)

level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end. The budget was properly amended throughout the period by the Board of Trustees.

- Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end. A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

June 30, 2007 Fund Balance

|   |                   |
|---|-------------------|
| Appropriated budget funds - Food Service Special Revenue Fund | \$ 216,791        |
| Nonappropriated budget funds                                  | <u>680,956</u>    |
| All Special Revenue Funds                                     | \$ <u>897,747</u> |

**B. Encumbrance Accounting**

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment or Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at June 30 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent period's budget. At June 30, 2007, there were outstanding encumbrances of \$275,427 in the General Fund.

**NOTE 4 DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

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

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**MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT**

Notes to the Financial Statements

at and for the

Year Ended June 30, 2007

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**NOTE 4 DETAILED NOTES ON ALL FUNDS** (continued)

**A. Deposits and Investments** (continued)

At June 30, 2007, the carrying amount of the District's cash, savings, and time deposits was \$1,371,898. The bank balance was \$2,429,114. The District's combined deposits at June 30, 2007, and during the year ended June 30, 2007, were fully insured by federal depository insurance or collateralized with securities pledged to the District and held by the District's agent.

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

- a. Name of bank Citizens National Bank Waxahachie, Texas.
- b. Amount of bond and securities pledged as of the date of the highest combined balance on deposit was \$ 6,400,000.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$2,704,390 and occurred during the month of March.
- d. Total amount of FDIC coverage at the time of highest combined balance was \$ 100,067.

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

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy addresses the following risks:

- a. **Custodial Credit Risk - Deposits:** In the case of deposits this is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District's policy regarding types of deposits allowed and collateral requirements is: the Depository may be a state bank authorized and regulated under Texas law; a national bank, savings and loan association, or savings bank authorized and regulated by federal law; or a savings and loan association or savings bank organized under Texas law; but shall not be any bank the deposits of which are not insured by the Federal Deposit Insurance Corporation (FDIC). The District is not exposed to custodial credit risk for its deposits, as all are covered by depository insurance and pledged securities.

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**MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT**

Notes to the Financial Statements

at and for the

Year Ended June 30, 2007

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**NOTE 4 DETAILED NOTES ON ALL FUNDS** (continued)

**A. Deposits and Investments** (continued)

- b. **Custodial Credit Risk - Investments:** For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District investments are with the Texas Local Government Investment Pool ("TexPool"), and the Lone Star Investment Pool ("Lone Star"). The pools are public funds investment pools created to provide a safe environment for the placement of local government funds in authorized short-term investments. Local investment pools operate in a manner consistent with the Security and Exchange Commission's Rule 2a7 of the Investment Company Act of 1940. The Texas Comptroller of Public Accounts exercises oversight responsibility over TexPool. Administration of Lone Star is performed by a Board of Directors, which is an administrative agency created under the Interlocal Act. The District is not exposed to custodial credit risk for its investments.
- c. **Credit Risk -** This is the risk that an issuer of an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for TexPool at year end was AAAM by Standard & Poor's. The credit quality rating for Lone Star at year end was Aaa by Moody's Investor Service.
- d. **Interest Rate Risk -** This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the District's investment in external investment pools is less than 60 days.
- e. **Foreign Currency Risk -** This is the risk that exchange rates will adversely affect the fair value of an investment. The District is not exposed to foreign currency risk.
- f. **Concentration of Credit Risk -** This is the risk of loss attributed to the magnitude of the District's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. Investments issued by the U. S. Government and investments in investment pools are excluded from the 5 percent disclosure requirement. The District is not exposed to concentration of credit risk.

The District's temporary investments at June 30, 2007, were as follows:

| <u>Investment type:</u>   | <u>Fair Value</u>    |
|---------------------------|----------------------|
| Lone Star investment pool | \$ 3,375,901         |
| TexPool investment pool   | <u>54,816,770</u>    |
| Total                     | \$ <u>58,192,671</u> |

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**MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT**

Notes to the Financial Statements

at and for the

Year Ended June 30, 2007

-continued-

**NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)**

**B. Property Taxes**

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the period following the October 1 levy date. The assessed value of the property tax roll on August 1, 2006, upon which the levy for the 2006-07 fiscal period was based, was \$2,704,617,196. The roll was subsequently decreased to a period end assessed value of \$2,699,499,419. Taxes are delinquent if not paid by January 31. Delinquent taxes are subject to both penalty and interest charges plus 20% delinquent collection fees for attorney costs after August 31.

The tax rates assessed for the year ended June 30, 2007, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.37 and \$0.3275 per \$100 valuation, respectively, for the total of \$1.6975 per \$100 valuation.

Total tax collections for the year ended June 30, 2007 were 100% of the period end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting 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. As of June 30, 2007, property taxes receivable, net of estimated uncollectible taxes, totaled \$1,524,712 and \$317,606 for the General and Debt Service Funds, respectively.

**C. Due From Other Governments**

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of June 30, 2007, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

| <u>Fund</u>     | <u>State Entitlements</u> | <u>Federal Grants</u> | <u>Total</u>     |
|-----------------|---------------------------|-----------------------|------------------|
| General         | \$ 3,568,415              |                       | 3,568,415        |
| Special revenue | 534,062                   | 101,538               | 635,600          |
| Debt service    | <u>19,558</u>             | <u>          </u>     | <u>19,558</u>    |
| Total           | <u>\$ 4,122,035</u>       | <u>101,538</u>        | <u>4,223,573</u> |

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**MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT**

Notes to the Financial Statements

at and for the

Year Ended June 30, 2007

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**NOTE 4 DETAILED NOTES ON ALL FUNDS** (continued)

**D. Interfund Receivables and Payables**

There were no interfund balances at June 30, 2007.

**E. Capital Assets**

Capital asset activity for the year ended June 30, 2007, was as follows:

|   | Primary Government    |                    |                     |                     |
|---|-----------------------|--------------------|---------------------|---------------------|
|   | Beginning Balance     | Additions          | Retirements         | Ending Balance      |
| Government activities:                      |                       |                    |                     |                     |
| Land  | \$ 4,233,252          | 473,228            |                     | 4,706,480           |
| Buildings and improvements                  | 114,067,032           | 14,789,321         |                     | 128,856,353         |
| Furniture and equipment                     | 1,778,504             | 251,805            |                     | 2,030,309           |
| Vehicles                                    | 2,937,847             | 149,299            |                     | 3,087,146           |
| Construction in progress                    | <u>47,941,250</u>     | <u>15,307,563</u>  | <u>(14,789,321)</u> | <u>48,459,492</u>   |
| Totals at historical cost                   | <u>170,957,885</u>    | <u>30,971,216</u>  | <u>(14,789,321)</u> | <u>187,139,780</u>  |
| Less accumulated depreciation for:          |                       |                    |                     |                     |
| Buildings and improvements                  | (38,302,805)          | (2,965,554)        |                     | (41,268,359)        |
| Furniture and equipment                     | (958,347)             | (74,699)           |                     | (1,033,046)         |
| Vehicles                                    | <u>(1,939,463)</u>    | <u>(209,802)</u>   |                     | <u>(2,149,265)</u>  |
| Total accumulated depreciation              | <u>(41,200,615)</u>   | <u>(3,250,055)</u> |                     | <u>(44,450,670)</u> |
| Governmental activities capital assets, net | <u>\$ 129,757,270</u> | <u>27,721,161</u>  | <u>(14,789,321)</u> | <u>142,689,110</u>  |

Depreciation expense was charged to governmental functions as follows:

|                                   |                     |
|-----------------------------------|---------------------|
| Instruction                       | \$ 1,972,805        |
| Instructional resources and media | 75,117              |
| School leadership                 | 31,577              |
| Student transportation            | 180,447             |
| Food services                     | 164,376             |
| Extracurricular activities        | 641,542             |
| General administration            | 53,485              |
| Plant maintenance and operations  | 117,498             |
| Data processing services          | <u>13,208</u>       |
| Total depreciation expense        | <u>\$ 3,250,055</u> |

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**MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT**

Notes to the Financial Statements

at and for the

Year Ended June 30, 2007

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**NOTE 4 DETAILED NOTES ON ALL FUNDS** (continued)

**F. Construction Commitments**

At June 30, 2007, the District had several projects under construction. A summary of the status of these projects and the related binding contracts with contractors is as follows:

| Project<br>Name         | Scheduled<br>Completion<br>Date | Contract<br>Amount | Cost<br>Incurred<br>Through<br>June 30, 2007 | Amount<br>Retained |
|-------------------------|---------------------------------|--------------------|--|--------------------|
| High School Additions   | 08/07                           | \$ 43,960,000      | 43,848,625                                   | 982,381            |
| Frank Seale M/S         | 08/08                           | 9,993,857          | 1,570,660                                    | 47,470             |
| Baxter ES               | 08/07                           | 2,995,498          | 1,982,799                                    | 105,229            |
| LaRue Miller Elementary | 08/08                           | 16,842,916         | 852,390                                      |                    |
| Technology              | 09/07                           | 1,300,000          | 205,018                                      | 5,888              |

**G. Capital Leases**

Capital leases payable activity for the year ended June 30, 2007, was as follows:

|  | Beginning<br>Balance | Reductions | Ending<br>Balance | Due<br>Within<br>One Year |
|--|----------------------|------------|-------------------|---------------------------|
| September 15, 2002 Equipment Replacement | \$ 2,196,057         | (117,673)  | 2,078,384         | 129,588                   |
| Total                                    | \$ 2,196,057         | (117,673)  | 2,078,384         | 129,588                   |

On September 15, 2002, the District entered into a capital lease agreement for the purpose of equipment replacement. Capital lease expenditures for the year were \$230,720 of which \$113,047 represented interest. The effective interest rate is 5.25%. Pursuant to the terms of the capital lease agreement, the District will be required to make future minimum payments as follows:

| Year Ending<br>June 30,             |                     |
|-------------------------------------|---------------------|
| 2008                                | \$ 236,235          |
| 2009                                | 241,700             |
| 2010                                | 248,365             |
| 2011                                | 254,660             |
| 2012                                | 261,095             |
| 2013-2017                           | 1,314,060           |
| 2018                                | <u>194,248</u>      |
| Future minimum lease payment        | 2,750,363           |
| Less: Amounts representing interest | <u>(671,979)</u>    |
| Present value                       | \$ <u>2,078,384</u> |

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**MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT**

Notes to the Financial Statements

at and for the

Year Ended June 30, 2007

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**NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)**

**H. Bonds Payable**

Bonds payable activity for the year ended June 30, 2007, was as follows:

| <u>Governmental Activities</u> | Interest<br>Rate<br>Payable | Amounts<br>Original<br>Issue | Beginning<br>Balance  | <u>Additions</u>  | <u>Reductions</u>  | Ending<br>Balance  | Due Within<br><u>One Year</u> |
|--------------------------------|-----------------------------|------------------------------|-----------------------|-------------------|--------------------|--------------------|-------------------------------|
| Bonded Indebtedness:           |                             |                              |                       |                   |                    |                    |                               |
| 1995 School Bldg & Refunding   | 7.60%                       | \$ 27,239,230                | 4,473,640             |                   | (2,066,888)        | 2,406,752          | 836,752                       |
| 1999 School Bldg & Refunding   | 6.41%                       | 33,810,671                   | 2,702,225             |                   | (155,054)          | 2,547,171          | 233,881                       |
| 2002A School Bldg              | 5.00%                       | 10,590,000                   | 7,415,000             |                   | (1,695,000)        | 5,720,000          |                               |
| 2002B Refunding                | 5.00%                       | 12,145,000                   | 11,765,000            |                   | (90,000)           | 11,675,000         | 95,000                        |
| 2004 School Bldg & Refunding   | 5.63%                       | 46,947,627                   | 46,947,627            |                   |                    | 46,947,627         | 427,627                       |
| 2004A Refunding                | 5.25%                       | 12,483,109                   | 12,348,109            |                   | (55,000)           | 12,293,109         | 55,000                        |
| 2005 School Bldg & Refunding   | 4.85%                       | 49,627,732                   | 49,627,732            |                   |                    | 49,627,732         |                               |
| 2006 School Bldg & Refunding   | 4.94%                       | 37,090,000                   |                       | <u>37,090,000</u> |                    | <u>37,090,000</u>  |                               |
| Subtotal                       |                             |                              | 135,279,333           | 37,090,000        | (4,061,942)        | 168,307,391        | 1,648,260                     |
| Accreted interest              |                             |                              | <u>16,586,557</u>     | <u>3,436,772</u>  | <u>(263,058)</u>   | <u>19,760,271</u>  | <u>1,701,740</u>              |
| Total bonded indebtedness      |                             |                              | <u>\$ 151,865,890</u> | <u>40,526,772</u> | <u>(4,325,000)</u> | <u>188,067,662</u> | <u>3,350,000</u>              |

General obligation bonds consist of 1995, 1999, 2002, 2004, 2005, and 2006 School Building and Refunding Bonds bearing interest at 5.25 - 7.60% per annum. Interest expense for the year on all bonded indebtedness was \$7,235,832.

Debt service requirements for the general obligation bonds are as follows:

| <u>Year Ending<br/>June 30,</u> | <u>Principal</u>      | <u>Interest</u>    | <u>Total<br/>Requirements</u> |
|---------------------------------|-----------------------|--------------------|-------------------------------|
| 2008                            | \$1,648,260           | 9,402,112          | 11,050,372                    |
| 2009                            | 2,256,234             | 9,573,853          | 11,830,087                    |
| 2010                            | 2,306,095             | 9,761,936          | 12,068,031                    |
| 2011                            | 3,223,209             | 9,482,735          | 12,705,944                    |
| 2012                            | 3,684,661             | 9,073,725          | 12,758,386                    |
| 2013-2017                       | 20,594,161            | 43,281,830         | 63,875,991                    |
| 2018-2022                       | 17,440,388            | 46,403,480         | 63,843,868                    |
| 2023-2027                       | 38,564,383            | 25,876,973         | 64,441,356                    |
| 2028-2032                       | 45,255,000            | 19,351,244         | 64,606,244                    |
| 2033-2036                       | <u>33,335,000</u>     | <u>3,534,500</u>   | <u>36,869,500</u>             |
| Total                           | <u>\$ 168,307,391</u> | <u>185,742,388</u> | <u>354,049,779</u>            |

There are a number of limitations and restrictions contained in the various general obligation bonds indentures. The District is in compliance with all significant limitations and restrictions at June 30, 2007.

-continued-

**MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT**

Notes to the Financial Statements

at and for the

Year Ended June 30, 2007

-continued-

**NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)**

**I. Defeasance of Debt**

On July 26, 2006, the District issued general obligation bonds (refunding bonds) of \$1,820,000 (par value) with an effective interest rate of 4.94 percent to advance refund a portion of the Unlimited Tax School Building and Refunding Bonds, Series 1995 (refunded bonds), with an effective interest rate of 5.18 percent and par value of \$1,820,000 and receive \$35,270,000 in new funds. The refunding bonds were issued at par and, after paying issuance costs of \$420,253, and receiving a premium of \$2,361,905, the net proceeds were \$39,031,652. Of the net proceeds, \$35,270,000 was deposited to the Capital Projects Fund, \$1,898,920 was deposited into the Debt Service Fund to pay interest on the bonds during the construction of the projects, and \$1,862,732 was used to purchase U.S. Government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the refunded portion is paid. The advance refunding met the requirements of an in-substance debt defeasance and the refunded bonds were removed from the District's Long-Term Debt Payable.

As a result of the advance refunding, the District's total debt service requirements decreased by \$94,953, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$75,344. The District issued the refunding bonds in order to restructure the bond debt and to enable the District to issue additional bonds for the purpose of capital improvements with an approximate annual level debt service.

In prior years, the District defeased previously issued and outstanding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. On June 30, 2007, \$2,760,184 of the bonds outstanding (including those defeased in 2007) are considered defeased.

**NOTE 5 OTHER INFORMATION**

**A. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2007, 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.

**B. Litigation and Contingencies**

The District is a party to various legal actions none of which is believed by administration to have a material effect on the financial condition of the District. Accordingly, no provision for losses has been recorded in the accompanying combined financial statements for such contingencies.

-continued-

**MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT**

Notes to the Financial Statements

at and for the

Year Ended June 30, 2007

-continued-

**NOTE 5 OTHER INFORMATION** (continued)

**B. Litigation and Contingencies** (continued)

The District participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at June 30, 2007 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

**C. Revenues from Local and Intermediate Sources**

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

|   | General<br>Fund      | Special<br>Revenue<br>Fund | Debt<br>Service<br>Fund | Capital<br>Projects<br>Fund | Total             |
|---|----------------------|----------------------------|-------------------------|-----------------------------|-------------------|
| Property taxes                                      | \$ 30,396,275        |                            | 8,774,314               |                             | 39,170,589        |
| Food sales  |                      | 1,410,046                  |                         |                             | 1,410,046         |
| Investment income                                   | 832,700              | 43,724                     | 226,285                 | 2,281,726                   | 3,384,435         |
| Penalties, interest and other<br>tax related income | 388,810              |                            | 76,528                  |                             | 465,338           |
| Co-curricular student activities                    | 170,876              | 59,845                     |                         |                             | 230,721           |
| Other   | <u>7,814,604</u>     | <u>812,539</u>             |                         |                             | <u>8,627,143</u>  |
| Total   | <u>\$ 39,603,265</u> | <u>2,326,154</u>           | <u>9,077,127</u>        | <u>2,281,726</u>            | <u>53,288,272</u> |

**D. Deferred Revenue**

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current year. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

|                 | General<br>Fund     | Debt<br>Service<br>Fund | Total            |
|-----------------|---------------------|-------------------------|------------------|
| Net tax revenue | \$ <u>1,524,712</u> | <u>317,606</u>          | <u>1,842,318</u> |
| Total           | \$ <u>1,524,712</u> | <u>317,606</u>          | <u>1,842,318</u> |

-continued-

**MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT**

Notes to the Financial Statements

at and for the

Year Ended June 30, 2007

-continued-

**NOTE 5 OTHER INFORMATION** (continued)

**E. Health Care Coverage**

For the year ended June 30, 2007, employees of the District were covered by a health insurance plan (the plan). The District paid premiums of \$225 per month per employee to the plan and employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to licensed insurer. The plan was authorized by Article 3.51-2., Texas Insurance Code, and was documented by contractual agreement.

The contract between the District and the licensed insurer is renewable September 1, 2007 and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for the Blue Cross Blue Shield are available for the year ended December 31, 2006, are filed with the Texas State Board of Insurance, Austin, Texas and are public records.

**F. Pension Plan Obligations**

Plan Description - The District contributes to the Teacher Retirement System of Texas (the System), a public employee retirement system. It is a cost sharing, multiple-employer defined benefit pension plan with one exception; all risks and costs are not shared by the District, but are the liability of the State of Texas. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates under the authority of provisions contained primarily in Texas Government code, Title 8, Public Retirement Systems, Subtitle C, Teacher Retirement System of Texas, which is subject to amendment by the Texas Legislature. 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 78701-2698, by calling (800) 223-8778, or by downloading the report from the TRS website, [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS publications heading.

Funding Policy - 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 amount of on-behalf payments in the current year were \$1,787,608. The District's employees' contributions to the System for the years ended June 30, 2005, 2006 and 2007 were \$1,470,429 , \$1,683,892 and \$1,938,160 respectively, equal to the required contributions for each period. Other contributions made from federal private grants and from the District for salaries above the statutory minimum for the years ended June, 2005, 2006 and 2007 were \$37,880, \$182,858 and \$262,115 respectively, equal to the required contributions for each period.

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**MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT**

Notes to the Financial Statements

at and for the

Year Ended June 30, 2007

-continued-

**NOTE 5 OTHER INFORMATION** (continued)

**G. Workers' Compensation Insurance**

For its workers' compensation insurance, the District is a participant in the East Texas Educational Insurance Association (ETEIA), a public entity risk pool. The District pays premiums to ETEIA for its workers' compensation insurance. The ETEIA has obtained reinsurance from Safety National Casualty Corporation for claims exceeding \$225,000. At June 30, 2007, the District's unpaid claims total \$251,871, including incurred but not reported (IBNR) claims of \$170,407, estimated. The District has reported this as a liability in the General Fund.

Changes in the balances of claims liability amounts in periods 2006 and 2007 are as follows:

|                                    | <u>2006</u>       | <u>2007</u>     |
|------------------------------------|-------------------|-----------------|
| Unpaid claims, beginning of period | \$ 276,365        | 329,285         |
| Incurred claims (including IBNR)   | 173,959           | (4,172)         |
| Claim payments                     | <u>(121,039)</u>  | <u>(73,242)</u> |
| Unpaid claims, end of period       | \$ <u>329,285</u> | <u>251,871</u>  |

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**REQUIRED SUPPLEMENTARY INFORMATION**

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2007

| Data Control Codes   | Budgeted Amounts |               | Actual Amounts (GAAP BASIS) | Variance With Final Budget Positive or (Negative) |
|--|------------------|---------------|-----------------------------|---|
|  | Original         | Final         |                             |   |
| <b>REVENUES:</b>   |                  |               |                             |   |
| 5700 Total Local and Intermediate Sources                      | \$ 37,527,680    | \$ 38,463,478 | \$ 39,603,265               | \$ 1,139,787                                      |
| 5800 State Program Revenues                                    | 12,823,554       | 13,617,013    | 11,738,451                  | (1,878,562)                                       |
| 5020 Total Revenues  | 50,351,234       | 52,080,491    | 51,341,716                  | (738,775)   |
| <b>EXPENDITURES:</b>   |                  |               |                             |   |
| Current:   |                  |               |                             |   |
| 0011 Instruction   | 25,602,706       | 26,011,143    | 25,257,536                  | 753,607   |
| 0012 Instructional Resources and Media Services                | 714,255          | 790,234       | 768,131                     | 22,103  |
| 0013 Curriculum and Instructional Staff Development            | 282,229          | 269,818       | 213,464                     | 56,354  |
| 0021 Instructional Leadership                                  | 579,656          | 537,614       | 460,082                     | 77,532  |
| 0023 School Leadership   | 2,703,582        | 2,766,949     | 2,709,158                   | 57,791  |
| 0031 Guidance, Counseling and Evaluation Services              | 1,494,366        | 1,564,863     | 1,470,751                   | 94,112  |
| 0032 Social Work Services                                      | 40,000           | 40,000        | 40,000                      | -   |
| 0033 Health Services   | 441,201          | 437,722       | 413,605                     | 24,117  |
| 0034 Student (Pupil) Transportation                            | 1,456,963        | 1,597,963     | 1,426,911                   | 171,052   |
| 0036 Cocurricular/Extracurricular Activities                   | 2,037,197        | 2,108,105     | 1,923,379                   | 184,726   |
| 0041 General Administration                                    | 1,885,754        | 1,991,853     | 1,890,789                   | 101,064   |
| 0051 Facilities Maintenance and Operations                     | 4,423,053        | 5,156,850     | 5,146,368                   | 10,482  |
| 0052 Security and Monitoring Services                          | 235,465          | 197,253       | 162,886                     | 34,367  |
| 0053 Data Processing Services                                  | 820,882          | 832,730       | 740,271                     | 92,459  |
| Debt Service:  |                  |               |                             |   |
| 0071 Debt Service - Principal on Long Term Debt                | 527,600          | 527,600       | 117,673                     | 409,927   |
| 0072 Debt Service - Interest on Long Term Debt                 | 113,048          | 113,048       | 113,047                     | 1   |
| Capital Outlay:  |                  |               |                             |   |
| 0081 Facilities Acquisition and Construction                   | 175,000          | 175,000       | 9,861                       | 165,139   |
| Intergovernmental:   |                  |               |                             |   |
| 0097 Payments to Tax Increment Fund                            | 6,818,277        | 7,230,821     | 7,230,821                   | -   |
| 6030 Total Expenditures  | 50,351,234       | 52,349,566    | 50,094,733                  | 2,254,833   |
| 1100 Excess (Deficiency) of Revenues Over (Under) Expenditures | -                | (269,075)     | 1,246,983                   | 1,516,058   |
| <b>OTHER FINANCING SOURCES (USES):</b>                         |                  |               |                             |   |
| 8911 Transfers Out (Use)                                       | -                | -             | (19,965)                    | (19,965)  |
| 7080 Total Other Financing Sources (Uses)                      | -                | -             | (19,965)                    | (19,965)  |
| 1200 Net Change in Fund Balances                               | -                | (269,075)     | 1,227,018                   | 1,496,093   |
| 0100 Fund Balance - July 1 (Beginning)                         | 10,839,743       | 10,839,743    | 10,839,743                  | -   |
| 3000 Fund Balance - June 30 (Ending)                           | \$ 10,839,743    | \$ 10,570,668 | \$ 12,066,761               | \$ 1,496,093                                      |

## COMBINING STATEMENTS

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2007

| Data<br>Control<br>Codes             | 204<br>ESEA Title IV<br>Safe & Drug<br>Free Schools | 205<br>Head<br>Start | 211<br>ESEA I, A<br>Improving<br>Basic Program | 222<br>Learn and<br>Serve<br>America |             |
|--------------------------------------|---|----------------------|--|--------------------------------------|-------------|
| <b>ASSETS</b>                        |   |                      |  |                                      |             |
| 1110                                 | Cash and Cash Equivalents                           | \$ -                 | \$ (11,884)                                    | \$ 45,969                            | \$ -        |
| 1240                                 | Due from Other Governments                          | -                    | 16,307   | -                                    | -           |
| 1290                                 | Other Receivables                                   | -                    | -  | -                                    | -           |
| 1000                                 | Total Assets  | <u>\$ -</u>          | <u>\$ 4,423</u>                                | <u>\$ 45,969</u>                     | <u>\$ -</u> |
| <b>LIABILITIES AND FUND BALANCES</b> |   |                      |  |                                      |             |
| Liabilities:                         |   |                      |  |                                      |             |
| 2110                                 | Accounts Payable                                    | \$ -                 | \$ -   | \$ -                                 | \$ -        |
| 2160                                 | Accrued Wages Payable                               | -                    | 4,423  | 45,969                               | -           |
| 2180                                 | Due to Other Governments                            | -                    | -  | -                                    | -           |
| 2000                                 | Total Liabilities                                   | <u>-</u>             | <u>4,423</u>                                   | <u>45,969</u>                        | <u>-</u>    |
| Fund Balances:                       |   |                      |  |                                      |             |
| Reserved For:                        |   |                      |  |                                      |             |
| 3450                                 | Food Service  | -                    | -  | -                                    | -           |
| Unreserved and Undesignated:         |   |                      |  |                                      |             |
| 3610                                 | Reported in Special Revenue Funds                   | -                    | -  | -                                    | -           |
| 3000                                 | Total Fund Balances                                 | <u>-</u>             | <u>-</u>                                       | <u>-</u>                             | <u>-</u>    |
| 4000                                 | Total Liabilities and Fund Balances                 | <u>\$ -</u>          | <u>\$ 4,423</u>                                | <u>\$ 45,969</u>                     | <u>\$ -</u> |

| 224<br>IDEA - Part B<br>Formula | 225<br>IDEA - Part B<br>Preschool | 240<br>National<br>Breakfast and<br>Lunch Program | 244<br>Vocational Ed<br>Basic<br>Grant | 255<br>ESEA II,A<br>Training and<br>Recruiting | 262<br>Title II, D<br>Education<br>Technology | 263<br>Title III, A<br>English Lang.<br>Acquisition | 269<br>Title V, Pt.A<br>Innovative<br>Programs |
|---------------------------------|-----------------------------------|---|--|--|---|---|--|
| \$ 11,298                       | \$ 3,629                          | \$ 216,577  | \$ (9,379)                             | \$ 214   | \$ -  | \$ (22,139)   | \$ -   |
| 53,661                          | -                                 | -   | 9,379                                  | -  | -   | 22,191  | -  |
| -                               | -                                 | 340   | -                                      | -  | -   | -   | -  |
| <u>\$ 64,959</u>                | <u>\$ 3,629</u>                   | <u>\$ 216,917</u>                                 | <u>\$ -</u>                            | <u>\$ 214</u>                                  | <u>\$ -</u>                                   | <u>\$ 52</u>  | <u>\$ -</u>                                    |
| \$ 33                           | \$ -                              | \$ 126  | \$ -                                   | \$ -   | \$ -  | \$ 52   | \$ -   |
| 64,926                          | 3,629                             | -   | -                                      | -  | -   | -   | -  |
| -                               | -                                 | -   | -                                      | 214  | -   | -   | -  |
| <u>64,959</u>                   | <u>3,629</u>                      | <u>126</u>  | <u>-</u>                               | <u>214</u>                                     | <u>-</u>                                      | <u>52</u>   | <u>-</u>                                       |
| -                               | -                                 | 216,791   | -                                      | -  | -   | -   | -  |
| -                               | -                                 | -   | -                                      | -  | -   | -   | -  |
| -                               | -                                 | 216,791   | -                                      | -  | -   | -   | -  |
| <u>\$ 64,959</u>                | <u>\$ 3,629</u>                   | <u>\$ 216,917</u>                                 | <u>\$ -</u>                            | <u>\$ 214</u>                                  | <u>\$ -</u>                                   | <u>\$ 52</u>  | <u>\$ -</u>                                    |

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2007

| Data<br>Control<br>Codes                 | 289<br>Other Federal<br>Special<br>Revenue Funds | 397<br>Advanced<br>Placement<br>Incentives | 404<br>Student<br>Success<br>Initiative | 411<br>Technology<br>Allotment |
|--|--|--|---|--------------------------------|
| <b>ASSETS</b>                            |  |  |   |                                |
| 1110 Cash and Cash Equivalents           | \$ -   | \$ 450                                     | \$ (7,165)                              | \$ (1,783)                     |
| 1240 Due from Other Governments          | -  | -  | 7,276                                   | 1,783                          |
| 1290 Other Receivables                   | -  | -  | -                                       | -                              |
| 1000 Total Assets                        | <u>\$ -</u>                                      | <u>\$ 450</u>                              | <u>\$ 111</u>                           | <u>\$ -</u>                    |
| <b>LIABILITIES AND FUND BALANCES</b>     |  |  |   |                                |
| Liabilities:                             |  |  |   |                                |
| 2110 Accounts Payable                    | \$ -   | \$ 450                                     | \$ 111                                  | \$ -                           |
| 2160 Accrued Wages Payable               | -  | -  | -                                       | -                              |
| 2180 Due to Other Governments            | -  | -  | -                                       | -                              |
| 2000 Total Liabilities                   | <u>-</u>   | <u>450</u>                                 | <u>111</u>                              | <u>-</u>                       |
| Fund Balances:                           |  |  |   |                                |
| Reserved For:                            |  |  |   |                                |
| 3450 Food Service                        | -  | -  | -                                       | -                              |
| Unreserved and Undesignated:             |  |  |   |                                |
| 3610 Reported in Special Revenue Funds   | -  | -  | -                                       | -                              |
| 3000 Total Fund Balances                 | <u>-</u>   | <u>-</u>                                   | <u>-</u>                                | <u>-</u>                       |
| 4000 Total Liabilities and Fund Balances | <u>\$ -</u>                                      | <u>\$ 450</u>                              | <u>\$ 111</u>                           | <u>\$ -</u>                    |

| 418<br>Employee<br>Health<br>Insurance | 428<br>High<br>School<br>Allotment | 429<br>Other State<br>Special<br>Revenue Funds | 461<br>Campus<br>Activity<br>Funds | 480<br>Athletics<br>Summer<br>Camps | 499<br>Other Local<br>Special<br>Revenue Funds | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|------------------------------------|--|------------------------------------|-------------------------------------|--|--|
| \$ -                                   | \$ (309,979)                       | \$ -   | \$ 436,075                         | \$ 39,837                           | \$ 113,256                                     | \$ 504,976                                 |
| -                                      | 525,003                            | -  | -                                  | -                                   | -  | 635,600                                    |
| -                                      | -                                  | -  | 8,500                              | -                                   | -  | 8,840                                      |
| <u>\$ -</u>                            | <u>\$ 215,024</u>                  | <u>\$ -</u>                                    | <u>\$ 444,575</u>                  | <u>\$ 39,837</u>                    | <u>\$ 113,256</u>                              | <u>\$ 1,149,416</u>                        |
| \$ -                                   | \$ 25,000                          | \$ -   | \$ 1,590                           | \$ 5,678                            | \$ 676   | \$ 33,716                                  |
| -                                      | 30,924                             | -  | -                                  | 23,420                              | 44,448   | 217,739                                    |
| -                                      | -                                  | -  | -                                  | -                                   | -  | 214  |
| -                                      | 55,924                             | -  | 1,590                              | 29,098                              | 45,124   | 251,669                                    |
| -                                      | -                                  | -  | -                                  | -                                   | -  | 216,791                                    |
| -                                      | 159,100                            | -  | 442,985                            | 10,739                              | 68,132   | 680,956                                    |
| -                                      | 159,100                            | -  | 442,985                            | 10,739                              | 68,132   | 897,747                                    |
| <u>\$ -</u>                            | <u>\$ 215,024</u>                  | <u>\$ -</u>                                    | <u>\$ 444,575</u>                  | <u>\$ 39,837</u>                    | <u>\$ 113,256</u>                              | <u>\$ 1,149,416</u>                        |

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2007

| Data<br>Control<br>Codes               | 204<br>ESEA Title IV<br>Safe & Drug<br>Free Schools          | 205<br>Head<br>Start | 211<br>ESEA I, A<br>Improving<br>Basic Program | 222<br>Learn and<br>Serve<br>America |
|--|--|----------------------|--|--------------------------------------|
| <b>REVENUES:</b>                       |  |                      |  |                                      |
| 5700                                   | Total Local and Intermediate Sources                         | \$ -                 | \$ -   | \$ -                                 |
| 5800                                   | State Program Revenues                                       | -                    | -  | -                                    |
| 5900                                   | Federal Program Revenues                                     | 19,064               | 34,845   | 294,236                              |
| 5020                                   | Total Revenues   | <u>19,064</u>        | <u>34,845</u>                                  | <u>294,236</u>                       |
| <b>EXPENDITURES:</b>                   |  |                      |  |                                      |
| <b>Current:</b>                        |  |                      |  |                                      |
| 0011                                   | Instruction  | 13,689               | 34,845   | 292,745                              |
| 0012                                   | Instructional Resources and Media Services                   | -                    | -  | -                                    |
| 0013                                   | Curriculum and Instructional Staff Development               | 279                  | -  | 1,491                                |
| 0021                                   | Instructional Leadership                                     | -                    | -  | -                                    |
| 0023                                   | School Leadership  | -                    | -  | -                                    |
| 0031                                   | Guidance, Counseling and Evaluation Services                 | -                    | -  | -                                    |
| 0032                                   | Social Work Services   | -                    | -  | -                                    |
| 0033                                   | Health Services  | -                    | -  | -                                    |
| 0034                                   | Student (Pupil) Transportation                               | -                    | -  | -                                    |
| 0035                                   | Food Services  | -                    | -  | -                                    |
| 0036                                   | Cocurricular/Extracurricular Activities                      | -                    | -  | -                                    |
| 0041                                   | General Administration                                       | -                    | -  | -                                    |
| 0051                                   | Facilities Maintenance and Operations                        | -                    | -  | -                                    |
| 0052                                   | Security and Monitoring Services                             | 5,096                | -  | -                                    |
| 0053                                   | Data Processing Services                                     | -                    | -  | -                                    |
| 0061                                   | Community Services   | -                    | -  | -                                    |
| 6030                                   | Total Expenditures   | <u>19,064</u>        | <u>34,845</u>                                  | <u>294,236</u>                       |
| 1100                                   | Excess (Deficiency) of Revenues Over (Under)<br>Expenditures | <u>-</u>             | <u>-</u>                                       | <u>-</u>                             |
| <b>OTHER FINANCING SOURCES (USES):</b> |  |                      |  |                                      |
| 7915                                   | Transfers In   | -                    | -  | -                                    |
| 7080                                   | Total Other Financing Sources (Uses)                         | <u>-</u>             | <u>-</u>                                       | <u>-</u>                             |
| 1200                                   | Net Change in Fund Balance                                   | -                    | -  | -                                    |
| 0100                                   | Fund Balance - July 1 (Beginning)                            | <u>-</u>             | <u>-</u>                                       | <u>-</u>                             |
| 3000                                   | Fund Balance - June 30 (Ending)                              | <u><u>\$ -</u></u>   | <u><u>\$ -</u></u>                             | <u><u>\$ -</u></u>                   |

| 224<br>IDEA - Part B<br>Formula | 225<br>IDEA - Part B<br>Preschool | 240<br>National<br>Breakfast and<br>Lunch Program | 244<br>Vocational Ed<br>Basic<br>Grant | 255<br>ESEA II,A<br>Training and<br>Recruiting | 262<br>Title II, D<br>Education<br>Technology | 263<br>Title III, A<br>English Lang.<br>Acquisition | 269<br>Title V, Pt.A<br>Innovative<br>Programs |
|---------------------------------|-----------------------------------|---|--|--|---|---|--|
| \$ -                            | \$ -                              | \$ 1,426,411                                      | \$ -                                   | \$ -   | \$ -  | \$ -  | \$ -   |
| -                               | -                                 | 9,660   | -                                      | -  | -   | -   | -  |
| 803,173                         | 13,377                            | 478,863   | 28,750                                 | 98,659   | 3,889   | 22,190  | 5,962  |
| <u>803,173</u>                  | <u>13,377</u>                     | <u>1,914,934</u>                                  | <u>28,750</u>                          | <u>98,659</u>                                  | <u>3,889</u>                                  | <u>22,190</u>                                       | <u>5,962</u>                                   |
| 546,694                         | 13,377                            | -   | 16,433                                 | -  | 43  | 21,799  | 2,612  |
| -                               | -                                 | -   | -                                      | -  | -   | -   | -  |
| 8,146                           | -                                 | -   | 4,399                                  | 98,659   | 3,846   | 391   | 3,350  |
| -                               | -                                 | -   | 6,418                                  | -  | -   | -   | -  |
| 6,544                           | -                                 | -   | -                                      | -  | -   | -   | -  |
| 241,789                         | -                                 | -   | 1,500                                  | -  | -   | -   | -  |
| -                               | -                                 | -   | -                                      | -  | -   | -   | -  |
| -                               | -                                 | -   | -                                      | -  | -   | -   | -  |
| -                               | -                                 | 1,817,432   | -                                      | -  | -   | -   | -  |
| -                               | -                                 | -   | -                                      | -  | -   | -   | -  |
| -                               | -                                 | -   | -                                      | -  | -   | -   | -  |
| -                               | -                                 | -   | -                                      | -  | -   | -   | -  |
| -                               | -                                 | -   | -                                      | -  | -   | -   | -  |
| -                               | -                                 | -   | -                                      | -  | -   | -   | -  |
| -                               | -                                 | -   | -                                      | -  | -   | -   | -  |
| <u>803,173</u>                  | <u>13,377</u>                     | <u>1,817,432</u>                                  | <u>28,750</u>                          | <u>98,659</u>                                  | <u>3,889</u>                                  | <u>22,190</u>                                       | <u>5,962</u>                                   |
| -                               | -                                 | 97,502  | -                                      | -  | -   | -   | -  |
| -                               | -                                 | -   | -                                      | -  | -   | -   | -  |
| -                               | -                                 | -   | -                                      | -  | -   | -   | -  |
| -                               | -                                 | 97,502  | -                                      | -  | -   | -   | -  |
| -                               | -                                 | 119,289   | -                                      | -  | -   | -   | -  |
| <u>\$ -</u>                     | <u>\$ -</u>                       | <u>\$ 216,791</u>                                 | <u>\$ -</u>                            | <u>\$ -</u>                                    | <u>\$ -</u>                                   | <u>\$ -</u>   | <u>\$ -</u>                                    |

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2007

| Data<br>Control<br>Codes               | 289<br>Other Federal<br>Special<br>Revenue Funds          | 397<br>Advanced<br>Placement<br>Incentives | 404<br>Student<br>Success<br>Initiative | 411<br>Technology<br>Allotment |
|--|---|--|---|--------------------------------|
| <b>REVENUES:</b>                       |   |  |   |                                |
| 5700                                   | Total Local and Intermediate Sources                      | \$ -                                       | \$ -                                    | \$ -                           |
| 5800                                   | State Program Revenues                                    | -  | 10,437                                  | 167,413                        |
| 5900                                   | Federal Program Revenues                                  | 17,188                                     | -                                       | -                              |
| 5020                                   | Total Revenues  | <u>17,188</u>                              | <u>10,437</u>                           | <u>167,413</u>                 |
| <b>EXPENDITURES:</b>                   |   |  |   |                                |
| <b>Current:</b>                        |   |  |   |                                |
| 0011                                   | Instruction   | 17,188                                     | 6,017                                   | 108,802                        |
| 0012                                   | Instructional Resources and Media Services                | -  | -                                       | -                              |
| 0013                                   | Curriculum and Instructional Staff Development            | -  | 4,420                                   | -                              |
| 0021                                   | Instructional Leadership                                  | -  | -                                       | -                              |
| 0023                                   | School Leadership   | -  | -                                       | -                              |
| 0031                                   | Guidance, Counseling and Evaluation Services              | -  | -                                       | -                              |
| 0032                                   | Social Work Services                                      | -  | -                                       | -                              |
| 0033                                   | Health Services   | -  | -                                       | -                              |
| 0034                                   | Student (Pupil) Transportation                            | -  | -                                       | 1,500                          |
| 0035                                   | Food Services   | -  | -                                       | -                              |
| 0036                                   | Cocurricular/Extracurricular Activities                   | -  | -                                       | -                              |
| 0041                                   | General Administration                                    | -  | -                                       | -                              |
| 0051                                   | Facilities Maintenance and Operations                     | -  | -                                       | -                              |
| 0052                                   | Security and Monitoring Services                          | -  | -                                       | -                              |
| 0053                                   | Data Processing Services                                  | -  | -                                       | -                              |
| 0061                                   | Community Services  | -  | -                                       | -                              |
| 6030                                   | Total Expenditures  | <u>17,188</u>                              | <u>10,437</u>                           | <u>110,302</u>                 |
| 1100                                   | Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>-</u>                                   | <u>-</u>                                | <u>-</u>                       |
| <b>OTHER FINANCING SOURCES (USES):</b> |   |  |   |                                |
| 7915                                   | Transfers In  | -  | -                                       | -                              |
| 7080                                   | Total Other Financing Sources (Uses)                      | <u>-</u>                                   | <u>-</u>                                | <u>-</u>                       |
| 1200                                   | Net Change in Fund Balance                                | -  | -                                       | -                              |
| 0100                                   | Fund Balance - July 1 (Beginning)                         | <u>-</u>                                   | <u>-</u>                                | <u>-</u>                       |
| 3000                                   | Fund Balance - June 30 (Ending)                           | <u>\$ -</u>                                | <u>\$ -</u>                             | <u>\$ -</u>                    |

| 418<br>Employee<br>Health<br>Insurance | 428<br>High<br>School<br>Allotment | 429<br>Other State<br>Special<br>Revenue Funds | 461<br>Campus<br>Activity<br>Funds | 480<br>Athletics<br>Summer<br>Camps | 499<br>Other Local<br>Special<br>Revenue Funds | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|------------------------------------|--|------------------------------------|-------------------------------------|--|--|
| \$ -                                   | \$ -                               | \$ -   | \$ 459,087                         | \$ 62,644                           | \$ 378,012                                     | \$ 2,326,154                               |
| 28,291                                 | 525,003                            | 66   | -                                  | -                                   | -  | 851,172                                    |
| -                                      | -                                  | -  | -                                  | -                                   | -  | 1,832,480                                  |
| <u>28,291</u>                          | <u>525,003</u>                     | <u>66</u>                                      | <u>459,087</u>                     | <u>62,644</u>                       | <u>378,012</u>                                 | <u>5,009,806</u>                           |
| 39,665                                 | 273,868                            | -  | 165,053                            | -                                   | -  | 1,732,527                                  |
| 595                                    | -                                  | 66   | 102,220                            | -                                   | -  | 102,881                                    |
| -                                      | 8,940                              | -  | 123                                | -                                   | -  | 134,044                                    |
| 43                                     | -                                  | -  | -                                  | -                                   | -  | 6,461                                      |
| 1,525                                  | 23,630                             | -  | 60,387                             | -                                   | -  | 92,086                                     |
| 1,191                                  | 8,865                              | -  | -                                  | -                                   | -  | 253,345                                    |
| -                                      | 50,000                             | -  | -                                  | -                                   | -  | 50,000                                     |
| 595                                    | -                                  | -  | -                                  | -                                   | -  | 595  |
| 2,468                                  | -                                  | -  | -                                  | -                                   | -  | 3,968                                      |
| -                                      | -                                  | -  | -                                  | -                                   | -  | 1,817,432                                  |
| 170                                    | -                                  | -  | 107,139                            | 74,134                              | -  | 181,443                                    |
| -                                      | -                                  | -  | 15,316                             | -                                   | -  | 15,316                                     |
| 127                                    | -                                  | -  | -                                  | -                                   | 355  | 482  |
| 268                                    | -                                  | -  | -                                  | -                                   | 2,675  | 8,039                                      |
| 508                                    | 600                                | -  | -                                  | -                                   | -  | 1,108                                      |
| 1,101                                  | -                                  | -  | -                                  | -                                   | 306,850  | 307,951                                    |
| <u>48,256</u>                          | <u>365,903</u>                     | <u>66</u>                                      | <u>450,238</u>                     | <u>74,134</u>                       | <u>309,880</u>                                 | <u>4,707,678</u>                           |
| (19,965)                               | 159,100                            | -  | 8,849                              | (11,490)                            | 68,132   | 302,128                                    |
| 19,965                                 | -                                  | -  | -                                  | -                                   | -  | 19,965                                     |
| <u>19,965</u>                          | <u>-</u>                           | <u>-</u>                                       | <u>-</u>                           | <u>-</u>                            | <u>-</u>                                       | <u>19,965</u>                              |
| -                                      | 159,100                            | -  | 8,849                              | (11,490)                            | 68,132   | 322,093                                    |
| -                                      | -                                  | -  | 434,136                            | 22,229                              | -  | 575,654                                    |
| <u>\$ -</u>                            | <u>\$ 159,100</u>                  | <u>\$ -</u>                                    | <u>\$ 442,985</u>                  | <u>\$ 10,739</u>                    | <u>\$ 68,132</u>                               | <u>\$ 897,747</u>                          |

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**REQUIRED T.E.A. SCHEDULES**

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
 FISCAL YEAR ENDED JUNE 30, 2007

| Last 10 Years                  | (1)  | (2)          | (3)  |
|--------------------------------|--|--------------|--|
|                                | Tax Rates  |              | Assessed/Appraised Value for School Tax Purposes |
|                                | Maintenance  | Debt Service |  |
| 1998 and prior years           | Various  | Various      | \$ Various                                       |
| 1999                           | 1.370000   | 0.270000     | 907,523,712                                      |
| 2000                           | 1.467500   | 0.192400     | 998,209,582                                      |
| 2001                           | 1.400000   | 0.309701     | 1,412,013,347                                    |
| 2002                           | 1.500000   | 0.220000     | 1,827,258,899                                    |
| 2003                           | 1.482550   | 0.237450     | 1,983,628,082                                    |
| 2004                           | 1.500000   | 0.220000     | 2,118,264,651                                    |
| 2005                           | 1.500000   | 0.264500     | 2,251,883,820                                    |
| 2006                           | 1.500000   | 0.287500     | 2,453,615,441                                    |
| 2007 (School year under audit) | 1.370000   | 0.327500     | 2,678,331,075                                    |
| 1000 TOTALS                    |  |              |  |
| 9000                           | Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code |              | \$ <u>487,578,693</u>                            |

| (10)<br>Beginning<br>Balance<br>7/1/2006 | (20)<br>Current<br>Year's<br>Total Levy | (31)<br>Maintenance<br>Collections | (32)<br>Debt Service<br>Collections | (40)<br>Entire<br>Year's<br>Adjustments | (50)<br>Ending<br>Balance<br>6/30/2007 |
|--|---|------------------------------------|-------------------------------------|---|--|
| \$ 52,716                                | \$ -                                    | \$ 1,877                           | \$ 411                              | \$ (2,856)                              | \$ 47,572                              |
| 32,509                                   | -                                       | 10,462                             | 2,062                               | (784)                                   | 19,201                                 |
| 57,511                                   | -                                       | 27,433                             | 3,597                               | (1,783)                                 | 24,698                                 |
| 70,841                                   | -                                       | 28,902                             | 6,394                               | 4,859                                   | 40,404                                 |
| 93,436                                   | -                                       | 66,547                             | 9,760                               | 59,060                                  | 76,189                                 |
| 111,376                                  | -                                       | 78,782                             | 12,618                              | 94,020                                  | 113,996                                |
| 139,180                                  | -                                       | 105,964                            | 15,541                              | 129,132                                 | 146,807                                |
| 185,048                                  | -                                       | 163,499                            | 28,831                              | 188,840                                 | 181,558                                |
| 1,038,022                                | -                                       | 724,806                            | 138,922                             | 141,618                                 | 315,912                                |
| -  | 45,464,670                              | 35,792,169                         | 8,556,160                           | (35,657)                                | 1,080,684                              |
| <u>\$ 1,780,639</u>                      | <u>\$ 45,464,670</u>                    | <u>\$ 37,000,441</u>               | <u>\$ 8,774,296</u>                 | <u>\$ 576,449</u>                       | <u>\$ 2,047,021</u>                    |
| \$ 7,711                                 | \$ 8,276,648                            | \$ 6,604,150                       | \$ 1,578,729                        | \$ (7,711)                              | \$ 93,769                              |

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2008-2009  
 GENERAL AND SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2007

**FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION**

| Account Number | Account Name                                 | 1<br>(702)<br>School Board | 2<br>(703)<br>Tax Collections | 3<br>(701)<br>Supt's Office | 4<br>(750)<br>Indirect Cost | 5<br>(720)<br>Direct Cost | 6<br>(other)<br>Miscellaneous | 7<br>Total          |
|----------------|--|----------------------------|-------------------------------|-----------------------------|-----------------------------|---------------------------|-------------------------------|---------------------|
| 611X-6146      | PAYROLL COSTS                                | \$ -                       | \$ -                          | \$ 249,556                  | \$ 789,312                  | \$ -                      | \$ -                          | \$ 1,038,868        |
| 6149           | Leave for Separating Employees in Fn 41 & 53 | -                          | -                             | -                           | -                           | -                         | -                             | -                   |
| 6149           | Leave - Separating Employees not in 41 & 53  | -                          | -                             | -                           | -                           | -                         | -                             | -                   |
| 6211           | Legal Services                               | 65,879                     | -                             | -                           | -                           | -                         | -                             | 65,879              |
| 6212           | Audit Services                               | -                          | -                             | -                           | 33,365                      | -                         | -                             | 33,365              |
| 6213           | Tax Appraisal and Collection                 | -                          | 437,289                       | -                           | -                           | -                         | -                             | 437,289             |
| 621X           | Other Professional Services                  | 24,171                     | -                             | -                           | 1,768                       | -                         | -                             | 25,939              |
| 6220           | Tuition and Transfer Payments                | -                          | -                             | -                           | -                           | -                         | -                             | -                   |
| 6230           | Education Service Centers                    | 15,262                     | -                             | -                           | 1,195                       | -                         | -                             | 16,457              |
| 6240           | Contr. Maint. and Repair                     | -                          | -                             | -                           | -                           | -                         | -                             | -                   |
| 6250           | Utilities                                    | -                          | -                             | -                           | -                           | -                         | -                             | -                   |
| 6260           | Rentals                                      | -                          | -                             | -                           | 5,934                       | -                         | -                             | 5,934               |
| 6290           | Miscellaneous Contr.                         | -                          | -                             | -                           | 7,390                       | -                         | -                             | 7,390               |
| 6320           | Textbooks and Reading                        | 456                        | -                             | 540                         | 1,526                       | -                         | -                             | 2,522               |
| 6330           | Testing Materials                            | -                          | -                             | -                           | -                           | -                         | -                             | -                   |
| 63XX           | Other Supplies Materials                     | 4,340                      | -                             | 5,027                       | 47,409                      | -                         | -                             | 56,776              |
| 6410           | Travel, Subsistence, Stipends                | 31,959                     | -                             | 13,176                      | 17,010                      | -                         | -                             | 62,145              |
| 6420           | Ins. and Bonding Costs                       | 25,849                     | -                             | -                           | 365                         | -                         | -                             | 26,214              |
| 6430           | Election Costs                               | 14,317                     | -                             | -                           | -                           | -                         | -                             | 14,317              |
| 6490           | Miscellaneous Operating                      | 34,943                     | -                             | 3,995                       | 33,340                      | -                         | -                             | 72,278              |
| 6500           | Debt Service                                 | -                          | -                             | -                           | -                           | -                         | -                             | -                   |
| 6600           | Capital Outlay                               | -                          | -                             | -                           | -                           | -                         | -                             | -                   |
| 6000           | <b>TOTAL</b>                                 | <u>\$ 217,176</u>          | <u>\$ 437,289</u>             | <u>\$ 272,294</u>           | <u>\$ 938,614</u>           | <u>\$ -</u>               | <u>\$ -</u>                   | <u>\$ 1,865,373</u> |

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 54,802,409

LESS: Deductions of Unallowable Costs

FISCAL YEAR

|  |      |                |
|--|------|----------------|
| Total Capital Outlay (6600)                | (10) | \$ 342,346     |
| Total Debt & Lease(6500)                   | (11) | 230,720        |
| Plant Maintenance (Function 51, 6100-6400) | (12) | 5,018,206      |
| Food (Function 35, 6341 and 6499)          | (13) | 678            |
| Stipends (6413)                            | (14) | -              |
| Column 4 (above) - Total Indirect Cost     |      | <u>938,614</u> |

SubTotal: 6,530,564

Net Allowed Direct Cost \$ 48,271,845

CUMULATIVE

|   |      |                |
|---|------|----------------|
| Total Cost of Buildings before Depreciation (1520)                    | (15) | \$ 128,856,353 |
| Historical Cost of Building over 50 years old                         | (16) | \$ 4,169,131   |
| Amount of Federal Money in Building Cost (Net of #16)                 | (17) | \$ -           |
| Total Cost of Furniture & Equipment before Depreciation (1530 & 1540) | (18) | \$ 5,117,455   |
| Historical Cost of Furniture & Equipment over 16 years old            | (19) | \$ 1,126,185   |
| Amount of Federal Money in Furniture & Equipment (Net of #19)         | (20) | \$ -           |

(8) NOTE A: No amounts in Function 53 expenditures are included in this report on administrative costs.

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT  
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET  
 FOR THE YEAR ENDED JUNE 30, 2007

**UNAUDITED**

|    |   |            |                     |
|----|---|------------|---------------------|
| 1  | Total General Fund Balance as of 6/30/07 (Exhibit C-1 object 3000 for the General Fund Only)  |            | \$ 12,066,761       |
| 2  | Total Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund Only)  | \$ 326,756 |                     |
| 3  | Total Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund Only)  | 7,500,000  |                     |
| 4  | Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.)  | 4,595,440  |                     |
| 5  | Estimate of one month's average cash disbursements during the regular school session (9/1/06-5/31/07).  | -          |                     |
| 6  | Estimate of delayed payments from state sources (58xx) including August payment delays  | -          |                     |
| 7  | Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount. | -          |                     |
| 8  | Estimate of delayed payments from federal sources (59xx)  | -          |                     |
| 9  | Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)                           | -          |                     |
| 10 | Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9)  |            | <u>12,422,196</u>   |
| 11 | Excess (Deficit) Undesignated Unreserved General Fund Balance (Line 1 minus Line 10)  |            | <u>\$ (355,435)</u> |

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 CHILD NUTRITION PROGRAM  
 FOR THE YEAR ENDED JUNE 30, 2007

| Data<br>Control<br>Codes                  | Budgeted Amounts |              | Actual Amounts<br>(GAAP BASIS) | Variance With<br>Final Budget<br>Positive or<br>(Negative) |
|---|------------------|--------------|--------------------------------|--|
|   | Original         | Final        |                                |  |
| <b>REVENUES:</b>                          |                  |              |                                |  |
| 5700 Total Local and Intermediate Sources | \$ 1,430,650     | \$ 1,430,650 | \$ 1,426,411                   | \$ (4,239)   |
| 5800 State Program Revenues               | 9,500            | 9,500        | 9,660                          | 160  |
| 5900 Federal Program Revenues             | 429,260          | 469,260      | 478,863                        | 9,603  |
| 5020 Total Revenues                       | 1,869,410        | 1,909,410    | 1,914,934                      | 5,524  |
| <b>EXPENDITURES:</b>                      |                  |              |                                |  |
| 0035 Food Services                        | 1,823,890        | 1,863,890    | 1,817,432                      | 46,458   |
| 6030 Total Expenditures                   | 1,823,890        | 1,863,890    | 1,817,432                      | 46,458   |
| 1200 Net Change in Fund Balances          | 45,520           | 45,520       | 97,502                         | 51,982   |
| 0100 Fund Balance - July 1 (Beginning)    | 119,289          | 119,289      | 119,289                        | -  |
| 3000 Fund Balance - June 30 (Ending)      | \$ 164,809       | \$ 164,809   | \$ 216,791                     | \$ 51,982  |

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 DEBT SERVICE FUND  
 FOR THE YEAR ENDED JUNE 30, 2007

| Data<br>Control<br>Codes               | Budgeted Amounts  |              | Actual Amounts<br>(GAAP BASIS) | Variance With<br>Final Budget<br>Positive or<br>(Negative) |            |
|--|---|--------------|--------------------------------|--|------------|
|  | Original  | Final        |                                |  |            |
| <b>REVENUES:</b>                       |   |              |                                |  |            |
| 5700                                   | Total Local and Intermediate Sources                      | \$ 8,636,980 | \$ 8,636,980                   | \$ 9,077,127   | \$ 440,147 |
| 5800                                   | State Program Revenues                                    | 407,377      | 407,377                        | 376,089  | (31,288)   |
| 5020                                   | Total Revenues  | 9,044,357    | 9,044,357                      | 9,453,216  | 408,859    |
| <b>EXPENDITURES:</b>                   |   |              |                                |  |            |
| Debt Service:                          |   |              |                                |  |            |
| 0071                                   | Debt Service - Principal on Long Term Debt                | 2,245,000    | 2,245,000                      | 2,241,943  | 3,057      |
| 0072                                   | Debt Service - Interest on Long Term Debt                 | 6,788,857    | 7,444,000                      | 7,235,832  | 208,168    |
| 0073                                   | Debt Service - Bond Issuance Cost and Fees                | 10,500       | 11,000                         | 10,521   | 479        |
| 6030                                   | Total Expenditures  | 9,044,357    | 9,700,000                      | 9,488,296  | 211,704    |
| 1100                                   | Excess (Deficiency) of Revenues Over (Under) Expenditures | -            | (655,643)                      | (35,080)   | 620,563    |
| <b>OTHER FINANCING SOURCES (USES):</b> |   |              |                                |  |            |
| 7911                                   | Capital Related Debt Issued (Regular Bonds)               | -            | 3,923,291                      | 3,923,291  | -          |
| 8949                                   | Other (Uses)  | -            | (2,009,098)                    | (2,009,097)  | 1          |
| 7080                                   | Total Other Financing Sources (Uses)                      | -            | 1,914,193                      | 1,914,194  | 1          |
| 1200                                   | Net Change in Fund Balances                               | -            | 1,258,550                      | 1,879,114  | 620,564    |
| 0100                                   | Fund Balance - July 1 (Beginning)                         | 3,290,956    | 3,290,956                      | 3,290,956  | -          |
| 3000                                   | Fund Balance - June 30 (Ending)                           | \$ 3,290,956 | \$ 4,549,506                   | \$ 5,170,070   | \$ 620,564 |

**FEDERAL AWARDS SECTION**

**PINGLETON, HOWARD & COMPANY, P. C.**

CERTIFIED PUBLIC ACCOUNTANTS

P. O. BOX 148

FRISCO, TEXAS 75034

972-335-9754/FAX 972-335-9758

TOM W. PINGLETON, CPA  
RANDY HOWARD, CPA  
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MEMBERS  
AMERICAN INSTITUTE OF CPAs  
AICPA DIVISION FOR CPA FIRMS  
TEXAS SOCIETY OF CPAs

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

INDEPENDENT AUDITOR'S REPORT

Board of School Trustees  
**Midlothian Independent School District**  
100 Walter Stephenson Road  
Midlothian, Texas 75065

Members of the Board:

We have audited the basic financial statements of Midlothian Independent School District, Midlothian, Texas, as of and for the year ended June 30, 2007, and have issued our report thereon dated September 26, 2007. 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 Midlothian Independent School District's basic 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 Midlothian Independent School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic 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.

Board of School Trustees  
Page Two

This report is intended for the information of the District's trustees, the audit committee, the administration, the Texas Education Agency, and federal awarding agencies and pass-through entities, and is not intended to be used and should not be used by anyone other than these specified parties.

*/s/ Pingleton, Howard & Company, P.C.*

September 26, 2007

**PINGLETON, HOWARD & COMPANY, P. C.**

CERTIFIED PUBLIC ACCOUNTANTS

P. O. BOX 148

FRISCO, TEXAS 75034

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees

**Midlothian Independent School District**

100 Walter Stephenson Road

Midlothian, Texas 75065

Members of the Board:

Compliance

We have audited the compliance of the Midlothian Independent School District, Midlothian, Texas 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 June 30, 2007. Midlothian Independent School 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 Midlothian Independent School District's management. Our responsibility is to express an opinion on Midlothian Independent School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Midlothian Independent School 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 Midlothian Independent School District's compliance with those requirements.

In our opinion Midlothian Independent School 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 June 30, 2007.

Internal Control Over Compliance

The administration of Midlothian Independent School 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 Midlothian Independent School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

This report is intended for the information of the District's trustees, audit committee, administration, the Texas Education Agency, and federal awarding agencies and pass-through entities, and is not intended to be used and should not be used by anyone other than these specified parties.

*/s/ Pingleton, Howard & Company, P.C.*

September 26, 2007

**MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT**  
 Schedule of Findings and Questioned Costs  
 For Year Ended June 30, 2007

| <u>Program</u>  | <u>Description</u>  |        |
|---|---|--------|
| Type of Report on Financial Statements  | Unqualified   |        |
| Reportable Conditions   | None  |        |
| Material Weaknesses Involving Reportable Conditions   | None  |        |
| Noncompliance Material to the Financial Statements  | None  |        |
| Type of Report on Compliance with Major Programs  | Unqualified Opinion   |        |
| Findings and Questioned Costs for Federal Awards as Defined in Section.510(a), OMB Circular A-133 | None  |        |
| Dollar Threshold Considered Between Type A and Type B Federal Programs                            | \$500,000   |        |
| Low Risk Auditee Statements   | The District was classified as a low risk Auditee in the context of OMB Circular A-133. |        |
| Major Federal Program   | National School Breakfast and Lunch Program   | 10.555 |
| Pass-through Entity   | Texas Education Agency  |        |

**MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT**

Schedule of Status of Prior Findings

For Year Ended June 30, 2007

| <u>Program</u> | <u>Status of Prior Year's Finding/<br/>Noncompliance</u>   |
|----------------|--|
| 06-1 Budget    | The District over-expended the budget in two functions in the General Fund and one function in the Food Service Fund. This finding has been corrected. |

**MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT**

Corrective Action Plan  
For Year Ended June 30, 2007

Program

Corrective Action Plan

- NONE -

Contact person: Mr. Larry Keiser  
Chief Financial Officer

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2007

| (1)   | (2)                       | (3)  | (4)                     |
|---|---------------------------|--|-------------------------|
| FEDERAL GRANTOR/<br>PASS-THROUGH GRANTOR/<br>PROGRAM or CLUSTER TITLE | Federal<br>CFDA<br>Number | Pass-Through<br>Entity Identifying<br>Number | Federal<br>Expenditures |
| <b>U.S. DEPARTMENT OF EDUCATION</b>                                   |                           |  |                         |
| <u>Passed Through Region X</u>  |                           |  |                         |
| Title III, Part A - English Language Acquisition                      | 84.365A                   | 7671001070908                                | \$ 22,190               |
| Total Passed Through Region X   |                           |  | \$ 22,190               |
| <u>Passed Through State Department of Education</u>                   |                           |  |                         |
| ESEA, Title I, Part A - Improving Basic Programs                      | 84.010A                   | 7610101070908                                | \$ 294,236              |
| IDEA - Part B, Formula  | 84.027                    | 7660001070908                                | 803,173                 |
| Vocational Education - Basic Grant                                    | 84.048                    | 7420006070908                                | 28,750                  |
| IDEA - Part B, Preschool  | 84.173                    | 7661001070908                                | 13,377                  |
| ESEA Title IV - Safe and Drug-Free Schools                            | 84.186A                   | 7691001070908                                | 19,064                  |
| Title V, Part A - Innovative Programs                                 | 84.298                    | 7685001070908                                | 5,962                   |
| Title II, Part D -Enhancing Ed. Through Technology                    | 84.318                    | 7630001070908                                | 3,889                   |
| ESEA, Title II, Part A, Teacher/Principal Training                    | 84.367A                   | 7694501070908                                | 98,659                  |
| Summer School LEP   | 84.369A                   | 7955050270908                                | 2,460                   |
| Temporary Emergency Impact Aid  | 84.938C                   | 7520301070908                                | 14,728                  |
| Total Passed Through State Department of Education                    |                           |  | \$ 1,284,298            |
| <b>TOTAL DEPARTMENT OF EDUCATION</b>                                  |                           |  | \$ 1,306,488            |
| <b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>                   |                           |  |                         |
| <u>Passed Through Region X</u>  |                           |  |                         |
| Head Start  | 93.600                    | 07CH0391                                     | \$ 34,845               |
| Total Passed Through Region X   |                           |  | \$ 34,845               |
| <b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>                  |                           |  | \$ 34,845               |
| <b>CORPORATION FOR NATIONAL COMMUNITY SERVICE</b>                     |                           |  |                         |
| <u>Passed Through Region XIV ESC</u>                                  |                           |  |                         |
| National and Community Service Trust Act                              | 94.004                    |  | \$ 12,284               |
| Total Passed Through Region XIV ESC                                   |                           |  | \$ 12,284               |
| <b>TOTAL CORP. FOR NATIONAL COMMUNITY SERVICE</b>                     |                           |  | \$ 12,284               |
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>                                 |                           |  |                         |
| <u>Passed Through Texas Department of Human Services</u>              |                           |  |                         |
| Donated Commodities   | 10.550                    |  | \$ 38,317               |
| Total Passed Through Texas Department of Human Services               |                           |  | \$ 38,317               |
| <u>Passed Through the State Department of Agriculture</u>             |                           |  |                         |
| National School Breakfast & Lunch Program*                            | 10.555                    |  | \$ 440,546              |
| Total Passed Through the State Department of Agriculture              |                           |  | \$ 440,546              |
| <b>TOTAL DEPARTMENT OF AGRICULTURE</b>                                |                           |  | \$ 478,863              |
| <b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>                           |                           |  | \$ 1,832,480            |

\*Clustered Programs as required by Compliance Supplement March, 2007