

Annual Financial Report

For the Year Ended
August 31, 2007

DRAFT

Ector County Independent School District
Odessa, Texas

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2007

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ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2007

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INTRODUCTORY SECTION



ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT

Phone: (432) 332-9151 • Fax: (432) 335-8984
P.O. Box 3912 • 802 N. Sam Houston Ave • Odessa, Texas 79760
www.ector-county.k12.tx.us

December 14, 2007

To the Board of Trustees and Taxpayers of Ector County Independent School District:

The Texas Education Code requires that all school districts file a complete set of financial statements with the Texas Education Agency (TEA) within 150 days of the close of each fiscal year. The financial statements must be presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the annual financial report of the Ector County Independent School District (District) for the fiscal year ended August 31, 2007.

This report consists of management's representations concerning the finances of the District. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the district has established a comprehensive internal control framework that is designed both to protect the District's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The District's financial statements have been audited by Johnson, Miller & Co., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended August 31, 2007, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the District's financial statements for the fiscal year ended August 31, 2007, are fairly presented in conformity with GAAP.

The independent audit of the financial statements of the District was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited District's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.

Profile of the District

The District was created in 1921 by a special act of the Texas Legislature that consolidated seven common school districts into the current district structure. The District has grown from its humble beginnings to the 34th largest school district in the state of Texas, and the 225th largest public school district in the nation. The District covers 906 square miles and serves an enrollment of over 26,000 students. Today there are over 3,500 employees, all supporting the educational needs of students at 38 campuses.

Accomplishments in athletics, academic decathlon, and in the fine arts programs characterize District emphasis on the potential of each student. The District's collaboration with governmental and law enforcement entities, the Partnership in Education program, and the Volunteers in Public Schools program help establish a vital link of community partnerships. The Education Foundation, established in May of 2000, also serves as strong evidence of community support.

The District is rich in cultural diversity and stresses equity and excellence in public education. The District meets the diverse learning needs of our students, including language, reading, special education, college preparation, and school to work needs by offering bilingual, ESL, humanities, foreign languages, calculus, chemistry, physics, business communication, family/career management, engineering graphics, and much more.

The District strives to meet the needs and abilities of all students. The student body is diverse: 62.5 percent are Hispanic, 30.6 percent are Anglo, 5.3 percent are African-American, .8 percent are Asian/Pacific Islander and .8 percent are American Indian. The core facilities are composed of two 5-A high schools; 25 Elementary campuses; two early education childhood centers; six junior highs; a Career Center for grades 9-12; an Alternative Education Center, and Youth Center for grades 7-12.

District goals are as follows:

- Assure every learner obtains a quality education
- Improve individual student performance
- Assure instruction aligned with Texas Essential Knowledge and Skills
- Differentiate instruction to meet the needs of all students
- Offer state-of-the-art curriculum
- Increase and improve upon the use of instructional technology in the classroom
- Employ diverse administrative and instructional staff
- Reward, retain, educate quality staff members
- Enhance learner competitiveness through advanced technologies
- Diagnose/assess/determine level of currency in instructional technology and hardware
- Establish and continually update state-of-the-art equipment
- Renovate physical facilities
- Ensure student/employee safety
- Promote a secure learning environment
- Promote and upgrade all non-traditional programs
- Promote operational effectiveness and efficiency in appropriations/expenditures

Factors Affecting Financial Condition

Local Economy – Currently the area's economic situation has many positive aspects. The next five years are expected to bring healthy economic growth, with 4,300 jobs anticipated to be added to the community. Over the next year, the services, financial, insurance, real estate, transportation, warehousing, and utilities sectors are projected to see significant expansion in employment. Diversification efforts are underway, although ties to the energy sector remain very strong.

With Odessa Ector Power Partners 1,000 megawatt power generating plant, Odessa's diversification is on the rise. This state-of-the art natural gas fired electric generating plant opened in September 2001. It provides safe, reliable and cost-efficient energy and produces enough power for 500,000 homes and businesses. The additional electrical power produced by this Odessa plant will help ensure available power for the future for further economic diversification.

Manufacturing and industrial services comprise a vital segment of the community's economic situation. With more than 500 manufacturers in the area and a heavy concentration of machine shop services, Odessa is beginning to take the necessary steps to diversify the industrial base.

Competition for new jobs is a familiar characteristic for Odessa, where an Enterprise Zone leads the way toward revitalization and reinvestment. Ad valorem tax abatement, state sales tax refund, franchise tax exemption, and free land are just a few of the options readily available to industrial company representatives seeking inducements to relocate in Odessa. These, coupled with fully developed industrial parks and an economic development sales tax, give Odessa the edge in competitive incentives.

Major Initiatives

Management's vision for the future of ECISD is to improve student performance, insure student safety, and to improve discipline, attendance, and parent involvement.

Unitary Status – On August 15, 2006 ECISD moved forward in obtaining unitary status by entering into an agreement with CRUCIAL (Committee for Redress, Unity, Concern and Integrity at All Levels) and MALDEF (Mexican American Legal Defense). If the District meets all of its obligations in the agreement, the District will come out from under the desegregation orders on January 1, 2009. One major obligation the District is currently working on is making Hays Elementary an academic magnet school.

Staffing Review – During the 06-07 school year, the District contracted with Texas Association of School Boards to perform a review of the District's employee compensation plan. This study was conducted to objectively examine pay equity for employees and to determine if pay practices were internally fair and externally competitive.

Capital Improvements Program – During the 05-06 school year, the ECISD board approved capital projects budget amendments for \$24,791,050. The funds have been allocated between instruction/fine arts, building/grounds improvements, technology, athletics and support services. The funds are intended to move the District forward in meeting instructional goals. For example, over \$18,000,000 was allocated to the Technology Department in order to completely upgrade District systems and be able to offer state-of-the art curriculum.

Awards

According to the Texas Education Accountability Rating Standards for 2007, five District campuses are recognized and one campus is exemplary.

Exemplary:

Elementary Magnet School at Reagan

Recognized:

Gale Pond Alamo Elementary

Gonzales Elementary

Ross Elementary

Sam Houston Elementary

Elementary Magnet School at Travis

Acknowledgement

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Office. We want to express our appreciation to all members of the District who assisted in gathering information necessary to the preparation of this report. We would like to thank the members of the Board of Trustees for their interest and support in planning and conducting the financial operations of the District in a responsible and progressive manner.

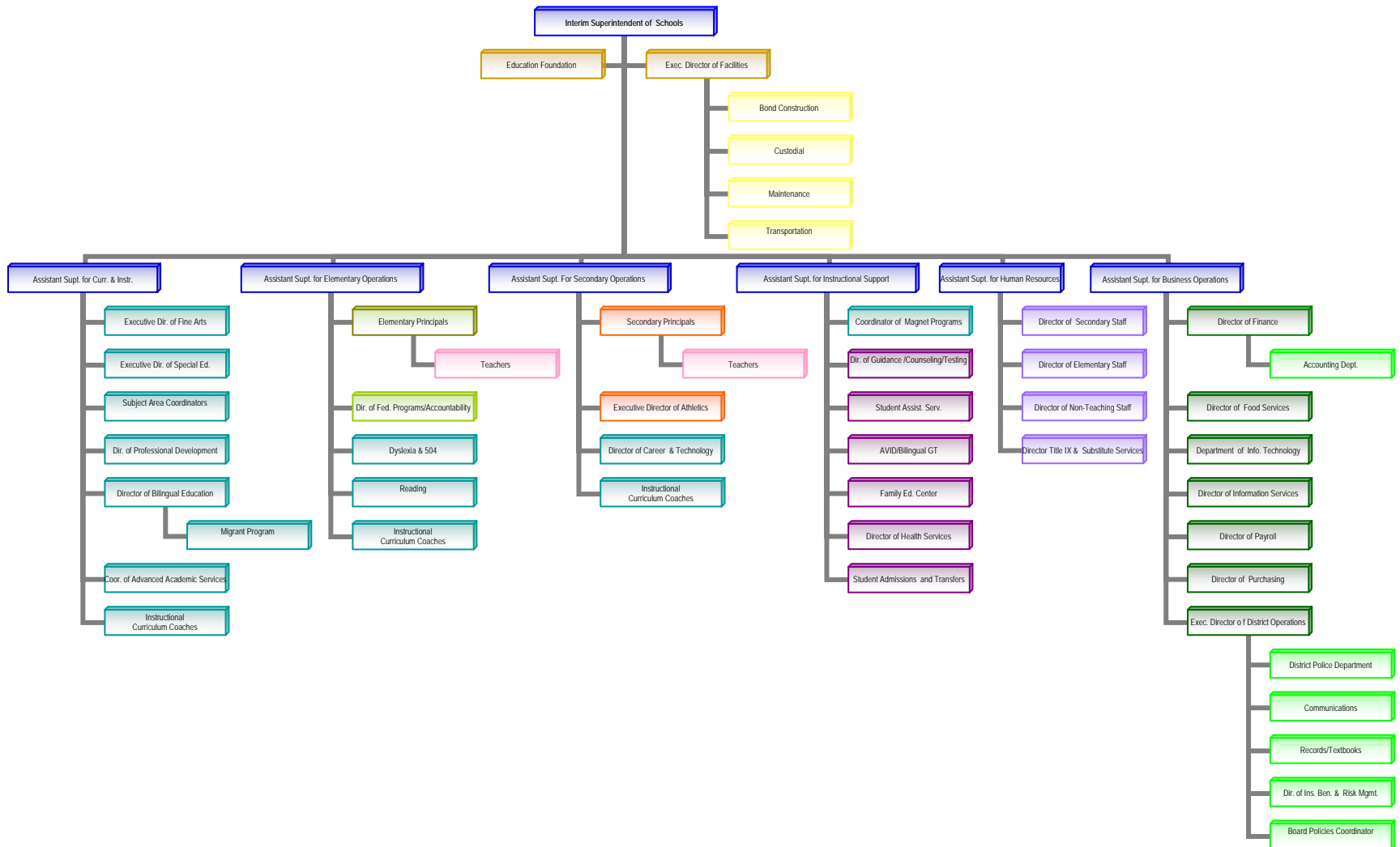
"Signature on original document on file at T.E.A."

Tonya Tillman, Assistant Superintendent for Business Operations

"Signature on original document on file at T.E.A."

Hector Mendez, Interim Superintendent of Schools

Ector County Independent School District Organizational Chart 2007-2008



CERTIFICATE OF BOARD

Ector County Independent School District
Name of School District

Ector
County

068901
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) _____ approved _____ disapproved for the year ended August 31, 2007 at a meeting of the Board of Trustees of such school district on the 22nd day of January, 2008.

Signature of Board Secretary

Signature of Board President

If the Board of Trustees disapproved of the auditor's report, the reason(s) for disapproving it is (are): (attach list as necessary)

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT

Board of Trustees and Consultants and Advisors

Board of Trustees

| | |
|---------------------------|----------------|
| Carol Gregg | President |
| L. V. “Butch” Foreman III | Vice President |
| Ray Beaty | Secretary |
| Randy Rives | Member |
| Donna Smith | Member |
| Doyle Woodall | Member |
| Fay Batch | Member |

Consultants and Advisors

| | |
|------------------------------------|----------------------|
| Johnson Miller & Co., CPA’s PC | Independent Auditors |
| Atkins & Peacock, LLP | General Counsel |
| McCall, Parkhurst & Horton, LLP | Bond Counsel |
| RBC Dain Rauscher | Financial Advisor |
| JP Morgan Chase Bank, N.A., Odessa | Official Depository |

FINANCIAL SECTION

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JOHNSON MILLER & CO., CPA's PC

Certified Public Accountants

A Professional Corporation

An Independent Member Of BDO Seidman Alliance

Odessa, Texas
Midland, Texas
Hobbs, New Mexico

Draft - For Discussion Purposes Only

Independent Auditor's Report

Board of Trustees
Ector County Independent School District
802 N. Sam Houston
Odessa, Texas 79760

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 Ector County Independent School District (the District) as of and for the year ended August 31, 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 opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Ector County Independent School District as of August 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 5 through 12 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated _____, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise Ector County Independent School District's basic financial statements.

The Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is in Exhibits identified in the Table of Contents as J-1 through J-5. Except for Exhibit J-3 (Cash Flow and the Optimum Fund Balance Calculation Schedule) which is marked **UNAUDITED** and on which we express no opinion, these schedules 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.

[Signature]

[Date]

Draft - For
Discussion
Purposes Only

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Ector County Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2007. Please read it in conjunction with our transmittal letter on page iv, the independent auditors' report on page 3, and the District's Basic Financial Statements which begin on page 15.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities (on pages 15 and 16-17). 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 on page 20) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

The notes to the financial statements (starting on page 40) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. These are not required by TEA. The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Assets and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 7. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Assets includes all the District's assets and liabilities as of the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

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

(general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

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

In the Statement of Net Assets and the Statement of Activities, the District reports two kinds of activity:

Governmental activities-All of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

Component units-The District includes three separate legal entities in its report (combined in one column for presentation purposes) – ECISD Education Foundation, Permian High Band, and Permian Football Booster Club. Although legally separate, these "component units" are important because the District is financially accountable for them.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 20 and provide detailed information about the most significant funds-not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's two kinds of funds-governmental and proprietary-use different accounting approaches.

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

Proprietary funds-The District reports the activities for which it charges users (whether outside customers or other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Assets and the Statement of Activities. The internal service funds report activities that provide supplies and services for the District's other programs and activities-such as the District's self-insurance programs.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by the student activities. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets on page 37. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net assets (Table I) and changes in net assets (Table II) of the District's governmental activities.

Table I
Ector County Independent School District

NET ASSETS

| | Governmental Activities | |
|--|-------------------------|----------------|
| | 2007 | 2006 |
| Current and other assets | \$ 125,832,539 | \$ 121,807,775 |
| Capital assets | 152,237,621 | 140,782,251 |
| Total assets | 278,070,160 | 262,590,026 |
| Long-term liabilities | 118,346,018 | 120,608,075 |
| Other liabilities | 11,797,146 | 12,391,301 |
| Total liabilities | 130,143,164 | 132,999,376 |
| Net assets: | | |
| Invested in capital assets net of related debt | 61,893,107 | 61,758,963 |
| Restricted | 11,380,693 | 5,548,949 |
| Unrestricted | 74,653,196 | 62,282,738 |
| Total net assets | \$ 147,926,996 | \$ 129,590,650 |

Net assets of the District's governmental activities increased 14 percent from \$129,590,650 to \$147,926,996. Significant changes in net assets from the prior year are explained as follows:

Current and other assets increased mainly due to increased State funding, increased tax collections, and increased investment earnings during 2006-07.

Capital assets increased mainly due to bond projects in process or being completed during 2006-07.

Other liabilities decreased mainly due to the timing of payments for all funds, especially for construction projects initiated during 2006-07.

Restricted net assets increased as a result of bond project expenditures during 2006-07. Please see page 27 for a detailed explanation of changes in net assets.

Table II
Ector County Independent School District

CHANGES IN NET ASSETS

| | Governmental Activities | |
|--|-------------------------|-----------------------|
| | 2007 | 2006 |
| Revenues: | | |
| Program Revenues: | | |
| Charges for Services | \$ 5,227,313 | \$ 4,577,547 |
| Operating grants and contributions | 36,688,421 | 37,157,156 |
| General Revenues: | | |
| Property taxes, Levied for General Purposes | 82,303,547 | 76,654,150 |
| Property taxes, Levied for Debt Service | 5,142,775 | 3,969,385 |
| State Aid – Formula Grants | 78,204,955 | 70,876,139 |
| Grants and Contributions not restricted | 43,275 | 81,919 |
| Investment Earnings | 6,874,678 | 5,331,796 |
| Miscellaneous Local and Intermediate Revenue | 723,810 | 190,231 |
| Total Revenue | <u>215,208,774</u> | <u>198,838,323</u> |
| Expenses: | | |
| Instruction, curriculum and media services | 117,365,980 | 116,000,478 |
| Instructional and school leadership | 15,217,115 | 15,254,440 |
| Student support services | 14,052,205 | 14,336,598 |
| Child nutrition | 9,771,781 | 9,369,833 |
| Cocurricular activities | 5,000,526 | 4,929,794 |
| General administration | 5,809,807 | 5,181,329 |
| Facilities maintenance, security and data processing | 23,762,281 | 23,386,348 |
| Community services | 1,101,184 | 1,085,769 |
| Debt service | 4,791,549 | 5,630,145 |
| Total Expenses | <u>196,872,428</u> | <u>195,174,734</u> |
| Increase in net assets | 18,336,346 | 3,663,589 |
| Net assets - Beginning | <u>129,590,650</u> | <u>125,927,061</u> |
| Net assets - Ending | <u>\$ 147,926,996</u> | <u>\$ 129,590,650</u> |

The District's total revenues increased by 8.2 percent – approximately \$16.3 million. Significant changes in revenue from the prior year are explained as follows:

Property taxes levied increased due to an increase of approximately \$1 billion in assessed value.

State Aid – Formula Grants funding increased approximately \$7.3 million due to additional funding for the teacher salary allotment, and changes in Foundation school program funding from increased student attendance.

Investment earnings increased due to the average earning rate increasing significantly from 2006 to 2007.

The District’s total expenses increased by .9 percent – approximately \$1.7 million. Significant changes in expenses from the prior year are as follows:

- Instruction, curriculum and media services increased mainly as a result of adjustments to teacher salary schedules and staffing additions. These changes cost the District approximately \$1.3 million, (net of unfilled positions). Related depreciation on capitalized construction and renovation costs increased approximately \$ 200,000 from the prior year.
- Child nutrition program expenditures increased approximately \$400,000 primarily due to increases in supply and payroll costs of approximately \$300,000 from the prior year.
- General administration costs increased approximately \$600,000 from the prior year primarily due to payroll cost increases of approximately \$300,000 and increased expenditures for contracted services of approximately \$200,000.
- Debt service expenditures offset the above major increases with a decrease of approximately \$800,000 from the prior year primarily due to debt restructuring from the \$56.4 million 2007 Series Refunding Bonds issued in February 2007 which defeased higher interest rate bonds with lower interest rate bonds.

The District’s Funds

As the District completed the year, its governmental funds (as presented in the balance sheet on pages 24-25) reported a combined fund balance of \$ 98.6 million, which is above last year’s total of \$96.8 million. The primary reason for the increase is the increase in State funding and the increase in local tax collections attributable to increased property values.

Over the course of the year, the District recommended and the Board of Trustees approved revisions of the District’s general fund budget for various reasons. The following is a summary of significant budget amendments made to estimated revenues:

| | Estimated Revenues |
|---|-----------------------|
| Beginning Estimated Revenues | \$ 173,597,545 |
| State funding adjustments | 1,235,856 |
| Tax collections adjustments | 1,100,000 |
| Adjust estimated SHARS revenue | 1,000,000 |
| Interest income adjustment | 700,000 |
| Allocation of insurance recoveries | 13,671 |
| Adjust for Abell Hanger students in philanthropy donation | 8,000 |
| Various other changes | 295,733 |
| Final Amended Estimated Revenues | \$ 177,950,805 |

The following is a summary of significant budget amendments made to appropriations and other uses:

| | <u>Appropriations</u> |
|--|-----------------------|
| Beginning Appropriations | \$ 173,272,499 |
| Title I comparability adjustment | 1,122,204 |
| OHS athletic field expansion project | 300,000 |
| System wide testing - supplies, storage, scoring | 225,000 |
| Fiscal year 2007 contract buyouts | 195,490 |
| PHS science lab supplies | 162,000 |
| Dropout prevention & recovery program | 144,000 |
| Office of Emergency Management | 120,000 |
| PHS band uniforms | 99,000 |
| 2004-05 Title I comparability study | 98,897 |
| HB1 compliance for academically unacceptable campus | 79,120 |
| Cover athletics playoff and summer expenditures | 77,171 |
| Increase in Appraisal District fees | 58,524 |
| SHARS consultant fee adjustment | 52,000 |
| Demographic study | 45,000 |
| Emergency operation plan audit | 45,000 |
| Establish Hays magnet program per court order | 39,250 |
| Transportation building improvements - roll-forward | 37,881 |
| Tennis court surfacing project | 36,000 |
| Estimated chemical removal service through August | 30,000 |
| Administrative salary adjustment | 29,567 |
| Increase in District costs - Deaf Services | 20,481 |
| Curriculum & Instruction - request for DCIT budget | 18,300 |
| PHS - instructional equipment | 18,200 |
| Piano restoration at PHS - roll-forward | 17,036 |
| Allocation of insurance recoveries | 13,671 |
| Flu vaccines - roll-forward | 12,798 |
| Fume hoods for OHS Chemistry labs | 12,700 |
| Curriculum & Instruction - request for salary adjustments | 11,400 |
| Technology building fiber optics access - roll-forward | 10,966 |
| Playground equipment at Travis Elementary - roll-forward | 10,744 |
| Supplies - Curriculum - Fannin Site | 10,000 |
| Repair Channel 10 fiber connection | 9,500 |
| Increase for playoff games transportation-Fine Arts | 8,952 |
| Emergency repairs at Milam Elementary | 8,432 |
| Corrections to career ladder salaries | 8,115 |
| Adjust for students in philanthropy stipends | 8,000 |
| OHS - student travel | 7,667 |
| Startup supplies for Bible class | 6,000 |
| Adjust estimated audit fees for fiscal year | 6,000 |
| Classroom furniture for Johnson Elementary | 5,000 |
| Final payroll adjustments - various | (29,566) |
| Decrease worker's compensation rates | (353,594) |
| Staffing additions: | |
| Testing Director, Clerical staff (2) - quarterly assessments | 135,000 |
| Clerical staff - Curriculum - Fannin site | 25,000 |

| | |
|---|-----------------------|
| Various other changes | 381,292 |
| Final Amended Appropriations | \$ <u>176,650,697</u> |
| | <u>Other Uses</u> |
| Original Other Uses | \$ 325,046 |
| Transfer to bond projects fund | 2,300,000 |
| Increase for write-off- land held as inventory | 6,300 |
| Adjust estimated District portion of State Deaf program | (34,501) |
| Adjust for asset sales | (70,000) |
| Final Amended Other Uses | \$ <u>2,526,845</u> |

Capital Asset and Debt Administration

Capital Assets

At the end of 2007, the District had \$152.2 million invested in a broad range of capital assets, (net of accumulated depreciation) including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net increase of over \$11.4 million, or 8.1 percent, above last year.

| | |
|--|---------------------------------------|
| This year's major additions included: | 2006-2007 <u>Capital Additions</u> |
| Bond Projects: | |
| Hays Elementary | \$ 443,646 |
| Construction in Progress | 13,797,071 |
| Non-Bond Projects: | |
| Odessa High play field expansion & misc. site work | 301,149 |
| Odessa High tennis courts | 155,512 |
| Ector Junior High track | 119,330 |
| Permian High track | 97,511 |
| Furniture, Fixtures and Equipment: | |
| Transportation vehicles | 1,026,244 |
| Technology server farm | 131,599 |
| Maintenance vehicles & equipment | 81,125 |
| Food Service vehicles & equipment | 56,748 |
| Police Department vehicles & equipment | 54,156 |
| Ratliff field cameras | 39,165 |
| Internet traffic controller | 37,095 |
| Business Operations scanning software | 22,604 |
| Odessa High mobile language lab | 20,272 |
| Various other locations | 49,475 |
| Land and Improvements: | |
| Odessa High | 276,416 |

| | |
|-------------------------|-----------------------------|
| Hays Elementary | 2,742 |
| Milam Elementary | <u>2,296</u> |
| Total Capital Additions | \$ <u><u>16,714,156</u></u> |

Debt Administration

At year-end, the District had \$109.6 million in bonds and notes outstanding versus \$111.7 million last year-a decrease of 2 percent. The decrease resulted from bond principal payments.

Other obligations include accrued workers compensation and sick leave. More detailed information about the District's long-term liabilities is presented in Notes G, I, K and L to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The District's elected and appointed officials considered many factors when preparing the fiscal year 2008 budget. The cost of financing public education has continued to rise due to: (1) rising insurance costs; (2) rising utility and fuel costs; (3) staffing needs to improve the quality of educational programs in the District; and (4) need for salary increases in order to maintain competitive employee compensation packages.

These factors were taken into account when adopting the General Fund budget for 2008. Estimated revenues in the General Fund are \$185 million, an increase of 4 percent over the final 2007 estimated revenues of \$178 million. Increase in State funding from recent legislation accounts for the majority of the revenue increase along with an estimated increase in student attendance. The District will use its revenues to finance programs we currently offer. In 2008, budgeted expenditures are expected to rise nearly 4.5 percent to \$184.7 million from the \$176.7 million estimated for 2007. Estimated salary and wage expenditure increases account for the majority of the change from 2007.

The District's budgetary General Fund balance is expected to decrease by the close of 2008 because of board approved capital projects budget amendments.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Ector County Independent School District, 802 N. Sam Houston, Odessa, Texas.

GOVERNMENT WIDE STATEMENTS

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ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
AUGUST 31, 2007

| | | 1 | 4 |
|------------------------|---|----------------|----------------|
| Data | | Primary | Component Unit |
| Control | | Government | |
| Codes | | Governmental | Component |
| | | Activities | Unit |
| ASSETS | | | |
| 1110 | Cash and Cash Equivalents | \$ 2,961,975 | \$ 517,378 |
| 1120 | Current Investments | 106,273,293 | 879,848 |
| 1220 | Property Taxes Receivable (Delinquent) | 8,149,821 | - |
| 1230 | Allowance for Uncollectible Taxes | (6,356,860) | - |
| 1240 | Due from Other Governments | 11,426,641 | - |
| 1290 | Other Receivables, net | 77,634 | 19,883 |
| 1300 | Inventories | 1,659,149 | 9,536 |
| 1410 | Deferred Expenses | 209,161 | - |
| 1420 | Capitalized Bond and Other Debt Issuance Costs | 1,431,725 | - |
| Capital Assets: | | | |
| 1510 | Land | 5,673,553 | - |
| 1520 | Buildings, Net | 120,947,464 | 885,084 |
| 1530 | Furniture and Equipment, Net | 6,615,313 | 1,051 |
| 1580 | Construction in Progress | 19,001,291 | - |
| 1000 | Total Assets | 278,070,160 | 2,312,780 |
| LIABILITIES | | | |
| 2110 | Accounts Payable | 5,920,384 | 3,200 |
| 2120 | Short Term Debt Payable | - | 885,084 |
| 2140 | Interest Payable | 128,589 | - |
| 2150 | Payroll Deductions & Withholdings | 591,140 | - |
| 2180 | Due to Other Governments | 8,019 | - |
| 2200 | Accrued Expenses | 2,543,518 | - |
| 2300 | Deferred Revenues | 2,605,496 | - |
| Noncurrent Liabilities | | | |
| 2501 | Due Within One Year | 5,483,858 | - |
| 2502 | Due in More Than One Year | 112,862,160 | - |
| 2000 | Total Liabilities | 130,143,164 | 888,284 |
| NET ASSETS | | | |
| 3200 | Invested in Capital Assets, Net of Related Debt | 61,893,107 | - |
| Restricted for: | | | |
| 3860 | Restricted for Capital Projects | 11,263,598 | - |
| 3870 | Restricted for Campus Activities | 115,196 | - |
| 3880 | Restricted for Scholarships | 1,899 | - |
| 3890 | Restricted for Other Purposes | - | 205,837 |
| 3900 | Unrestricted Net Assets | 74,653,196 | 1,218,659 |
| 3000 | Total Net Assets | \$ 147,926,996 | \$ 1,424,496 |

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

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2007

| Data Control Codes | 1 | Program Revenues | |
|---|--|-------------------------|--|
| | | 3 | 4 |
| | Expenses | Charges for Services | Operating Grants and Contributions |
| Primary Government: | | | |
| GOVERNMENTAL ACTIVITIES: | | | |
| 11 Instruction | \$ 107,187,299 | \$ 346,926 | \$ 21,466,879 |
| 12 Instructional Resources and Media Services | 4,508,488 | - | 538,904 |
| 13 Curriculum and Instructional Staff Development | 5,670,193 | - | 2,447,596 |
| 21 Instructional Leadership | 3,097,109 | - | 492,705 |
| 23 School Leadership | 12,120,006 | - | 642,829 |
| 31 Guidance, Counseling and Evaluation Services | 6,673,774 | - | 1,620,972 |
| 32 Social Work Services | 309,716 | 6,470 | 14,890 |
| 33 Health Services | 1,642,660 | - | 236,614 |
| 34 Student (Pupil) Transportation | 5,426,055 | 38,821 | 218,708 |
| 35 Food Services | 9,771,781 | 3,041,664 | 6,560,039 |
| 36 Cocurricular/Extracurricular Activities | 5,000,526 | 504,179 | 93,744 |
| 41 General Administration | 5,809,807 | 1,243,951 | 577,576 |
| 51 Facilities Maintenance and Operations | 20,438,577 | 36,414 | 1,391,611 |
| 52 Security and Monitoring Services | 1,903,978 | - | 89,020 |
| 53 Data Processing Services | 1,419,726 | - | 46,083 |
| 61 Community Services | 1,101,184 | 8,888 | 247,269 |
| 72 Debt Service - Interest on Long Term Debt | 4,788,412 | - | - |
| 73 Debt Service - Bond Issuance Cost and Fees | 3,137 | - | - |
| 81 Facilities Acquisition and Construction | - | - | 2,982 |
| [TP] TOTAL PRIMARY GOVERNMENT: | \$ 196,872,428 | \$ 5,227,313 | \$ 36,688,421 |
| Component Unit: | | | |
| 1C Nonmajor Component Unit | \$ 1,152,417 | \$ - | \$ 1,516,045 |
| [TC] TOTAL COMPONENT UNIT: | \$ 1,152,417 | \$ - | \$ 1,516,045 |
| Data Control Codes | General Revenues: | | |
| | Taxes: | | |
| MT | Property Taxes, Levied for General Purposes | | |
| DT | Property Taxes, Levied for Debt Service | | |
| SF | State Aid - Formula Grants | | |
| GC | Grants and Contributions not Restricted | | |
| IE | Investment Earnings | | |
| MI | Miscellaneous Local and Intermediate Revenue | | |
| TR | Total General Revenues | | |
| CN | Change in Net Assets | | |
| NB | Net Assets--Beginning | | |
| NE | Net Assets--Ending | | |

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

| Net (Expense) Revenue and Changes in Net Assets | |
|--|----------------|
| 6 | 9 |
| Primary Government | Component Unit |
| Governmental | Component |
| Activities | Unit |
| <hr/> | |
| \$ (85,373,494) | \$ - |
| (3,969,584) | - |
| (3,222,597) | - |
| (2,604,404) | - |
| (11,477,177) | - |
| (5,052,802) | - |
| (288,356) | - |
| (1,406,046) | - |
| (5,168,526) | - |
| (170,078) | - |
| (4,402,603) | - |
| (3,988,280) | - |
| (19,010,552) | - |
| (1,814,958) | - |
| (1,373,643) | - |
| (845,027) | - |
| (4,788,412) | - |
| (3,137) | - |
| 2,982 | - |
| (154,956,694) | - |
| <hr/> | |
| - | 363,628 |
| <hr/> | |
| - | 363,628 |
| <hr/> | |
| 82,303,547 | - |
| 5,142,775 | - |
| 78,204,955 | - |
| 43,275 | - |
| 6,874,678 | 80,122 |
| 723,810 | - |
| 173,293,040 | 80,122 |
| <hr/> | |
| 18,336,346 | 443,750 |
| 129,590,650 | 980,746 |
| <hr/> | |
| \$ 147,926,996 | \$ 1,424,496 |
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GOVERNMENTAL FUND FINANCIAL STATEMENTS

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2007

| Data Control Codes | 10 General Fund | 60 Bond Fund - Projects | 60 Technology Project |
|--|-----------------------|-------------------------------|-----------------------------|
| ASSETS | | | |
| 1110 Cash and Cash Equivalents | \$ 1,781,508 | \$ 1 | \$ 4,342 |
| 1120 Investments - Current | 70,737,655 | 15,674,246 | - |
| 1220 Property Taxes - Delinquent | 7,764,858 | - | - |
| 1230 Allowance for Uncollectible Taxes (Credit) | (6,056,589) | - | - |
| 1240 Due from Other Governments | 9,314,140 | - | - |
| 1260 Due from Other Funds | - | 2,300,000 | 15,231,714 |
| 1290 Other Receivables | 77,634 | - | - |
| 1300 Inventories | 196,267 | - | - |
| 1410 Deferred Expenditures | 209,161 | - | - |
| 1000 Total Assets | <u>\$ 84,024,634</u> | <u>\$ 17,974,247</u> | <u>\$ 15,236,056</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| 2110 Accounts Payable | \$ 3,049,581 | \$ 1,612,232 | \$ 30,707 |
| 2150 Payroll Deductions and Withholdings Payable | 591,140 | - | - |
| 2170 Due to Other Funds | 21,240,630 | - | - |
| 2180 Due to Other Governments | - | - | - |
| 2200 Accrued Expenditures | 1,256,113 | - | - |
| 2300 Deferred Revenues | 2,217,743 | - | - |
| 2000 Total Liabilities | <u>\$ 28,355,207</u> | <u>\$ 1,612,232</u> | <u>\$ 30,707</u> |
| Fund Balances: | | | |
| Reserved For: | | | |
| 3410 Investments in Inventory | \$ 196,267 | \$ - | \$ - |
| 3420 Retirement of Long Term Debt | - | - | - |
| 3440 Outstanding Encumbrances | 2,250,674 | 2,296,104 | 3,675,398 |
| 3450 Food Service | - | - | - |
| 3490 Other Purposes | 3,879,834 | 14,065,911 | 11,529,951 |
| Unreserved Designated For: | | | |
| 3510 Construction | 20,996,472 | - | - |
| 3530 Capital Expenditures for Equipment | 1,225,000 | - | - |
| 3540 Self Insurance | 675,000 | - | - |
| 3590 Other Purposes | 1,589,121 | - | - |
| Unreserved and Undesignated: | | | |
| 3600 Reported in the General Fund | 24,857,059 | - | - |
| 3000 Total Fund Balances | <u>\$ 55,669,427</u> | <u>\$ 16,362,015</u> | <u>\$ 15,205,349</u> |
| 4000 Total Liabilities and Fund Balances | <u>\$ 84,024,634</u> | <u>\$ 17,974,247</u> | <u>\$ 15,236,056</u> |

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

| Other Funds | | Total Governmental Funds | |
|-------------|-------------------|--------------------------|--------------------|
| \$ | 338,464 | \$ | 2,124,315 |
| | 5,492,715 | | 91,904,616 |
| | 384,963 | | 8,149,821 |
| | (300,271) | | (6,356,860) |
| | 2,112,501 | | 11,426,641 |
| | 5,139,003 | | 22,670,717 |
| | - | | 77,634 |
| | 1,462,882 | | 1,659,149 |
| | - | | 209,161 |
| <u>\$</u> | <u>14,630,257</u> | <u>\$</u> | <u>131,865,194</u> |
| | | | |
| \$ | 904,229 | \$ | 5,596,749 |
| | - | | 591,140 |
| | 1,379,666 | | 22,620,296 |
| | 8,019 | | 8,019 |
| | - | | 1,256,113 |
| | 1,004,361 | | 3,222,104 |
| <u>\$</u> | <u>3,296,275</u> | <u>\$</u> | <u>33,294,421</u> |
| | | | |
| \$ | 1,462,882 | \$ | 1,659,149 |
| | 4,012,452 | | 4,012,452 |
| | 404,759 | | 8,626,935 |
| | 1,867,580 | | 1,867,580 |
| | 3,586,309 | | 33,062,005 |
| | - | | 20,996,472 |
| | - | | 1,225,000 |
| | - | | 675,000 |
| | - | | 1,589,121 |
| | - | | 24,857,059 |
| <u>\$</u> | <u>11,333,982</u> | <u>\$</u> | <u>98,570,773</u> |
| | | | |
| <u>\$</u> | <u>14,630,257</u> | <u>\$</u> | <u>131,865,194</u> |

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ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
AUGUST 31, 2007

| | |
|--|-----------------------|
| Total Fund Balances - Governmental Funds | \$ 98,570,773 |
| 1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The net effect of this consolidation is to increase net assets. | 7,489,597 |
| 2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. In addition, long-term liabilities, 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, \$140,782,251, and long-term debt of (\$115,359,527) is to increase net assets. | 25,422,724 |
| 3 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they are shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2007 capital outlays of \$16,714,156 and debt principal payments of \$3,801,299 is to increase net assets. | 20,515,455 |
| 4 The issuance of long-term debt is not due and payable within the current period and, therefore, is not reported in the governmental funds balance sheet. Also, governmental funds report the effect of issuance costs, premiums, discounts, and deferred loss on refundings when debt is first issued, whereas these amounts are deferred and amortized in the statement of net assets. The net effect of the refunding bonds issued in 2007 is (\$9,610). In addition, there is a current year effect on the statement of net assets resulting from amortizing various bond related items as follows : net bond premium-(\$332,902), issuance costs-(\$70,492), deferred loss-(\$136,609), and current year accretion on CAB's-(\$678,427). | (1,228,040) |
| 5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include the following: recognizing deferred revenue as revenue-\$167,158, sale of assets-(\$63,242), recognizing current year depreciation-(\$5,195,544), recognizing the current year change in sick leave payable-(\$199,455), recognizing interest payable and reversing prior period interest payable-\$7,105, and recognizing the effect of the beginning balance for deferred revenue-\$1,625,803, bond issue costs-\$950,356, and interest payable - (\$135,694). | (2,843,513) |
| 19 Net Assets of Governmental Activities | \$ 147,926,996 |

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

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2007

| Data Control Codes | 10 General Fund | 60 Bond Fund - Projects | 60 Technology Project |
|--|-----------------------|-------------------------------|-----------------------------|
| REVENUES: | | | |
| 5700 Total Local and Intermediate Sources | \$ 89,534,427 | \$ 1,142,613 | \$ - |
| 5800 State Program Revenues | 83,062,093 | 3,816 | 2,982 |
| 5900 Federal Program Revenues | 1,965,227 | - | - |
| 5020 Total Revenues | 174,561,747 | 1,146,429 | 2,982 |
| EXPENDITURES: | | | |
| Current: | | | |
| 0011 Instruction | 90,037,005 | - | 222,759 |
| 0012 Instructional Resources and Media Services | 4,010,831 | - | 12,338 |
| 0013 Curriculum and Instructional Staff Development | 3,414,250 | - | 2,059 |
| 0021 Instructional Leadership | 2,667,475 | - | 872 |
| 0023 School Leadership | 11,872,162 | - | 10,973 |
| 0031 Guidance, Counseling and Evaluation Services | 5,318,692 | - | 3,489 |
| 0032 Social Work Services | 309,402 | - | 140 |
| 0033 Health Services | 1,488,574 | - | 977 |
| 0034 Student (Pupil) Transportation | 5,772,629 | - | 558 |
| 0035 Food Services | - | - | 1,570 |
| 0036 Cocurricular/Extracurricular Activities | 4,414,013 | - | 279 |
| 0041 General Administration | 5,720,934 | - | 2,826 |
| 0051 Facilities Maintenance and Operations | 18,755,969 | 67,878 | 32,750 |
| 0052 Security and Monitoring Services | 1,899,104 | - | 907 |
| 0053 Data Processing Services | 1,382,895 | - | 276,634 |
| 0061 Community Services | 766,907 | - | 140 |
| Debt Service: | | | |
| 0071 Debt Service - Principal on Long Term Debt | - | - | - |
| 0072 Debt Service - Interest on Long Term Debt | - | - | - |
| 0073 Debt Service - Bond Issuance Cost and Fees | - | - | - |
| Capital Outlay: | | | |
| 0081 Facilities Acquisition and Construction | 365,248 | 12,677,067 | 1,233,867 |
| 6030 Total Expenditures | 158,196,090 | 12,744,945 | 1,803,138 |
| 1100 Excess (Deficiency) of Revenues Over (Under) Expenditures | 16,365,657 | (11,598,516) | (1,800,156) |
| OTHER FINANCING SOURCES (USES): | | | |
| 7911 Capital Related Debt Issued (Regular Bonds) | - | - | - |
| 7912 Sale of Real and Personal Property | 78,430 | - | - |
| 7915 Transfers In | - | 2,300,000 | - |
| 7916 Premium or Discount on Issuance of Bonds | - | - | - |
| 8911 Transfers Out (Use) | (2,544,767) | - | - |
| 8949 Other (Uses) | (6,281) | - | - |
| 7080 Total Other Financing Sources (Uses) | (2,472,618) | 2,300,000 | - |
| 1200 Net Change in Fund Balances | 13,893,039 | (9,298,516) | (1,800,156) |
| 0100 Fund Balance - September 1 (Beginning) | 41,776,388 | 25,660,531 | 17,005,505 |
| 3000 Fund Balance - August 31 (Ending) | \$ 55,669,427 | \$ 16,362,015 | \$ 15,205,349 |

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

| | | Total | |
|-------|--------------|--------------|--------------|
| Other | | Governmental | |
| Funds | | Funds | |
| <hr/> | | <hr/> | |
| \$ | 8,898,391 | \$ | 99,575,431 |
| | 5,993,881 | | 89,062,772 |
| | 23,677,397 | | 25,642,624 |
| | <hr/> | | <hr/> |
| | 38,569,669 | | 214,280,827 |
| | <hr/> | | <hr/> |
| | 15,766,904 | | 106,026,668 |
| | 345,276 | | 4,368,445 |
| | 2,286,329 | | 5,702,638 |
| | 413,278 | | 3,081,625 |
| | 208,671 | | 12,091,806 |
| | 1,411,619 | | 6,733,800 |
| | - | | 309,542 |
| | 166,830 | | 1,656,381 |
| | 3,612 | | 5,776,799 |
| | 9,635,255 | | 9,636,825 |
| | 11,193 | | 4,425,485 |
| | 34,887 | | 5,758,647 |
| | 1,325,597 | | 20,182,194 |
| | - | | 1,900,011 |
| | - | | 1,659,529 |
| | 190,204 | | 957,251 |
| | 3,801,299 | | 3,801,299 |
| | 3,577,087 | | 3,577,087 |
| | 554,998 | | 554,998 |
| | 650,451 | | 14,926,633 |
| | <hr/> | | <hr/> |
| | 40,383,490 | | 213,127,663 |
| | <hr/> | | <hr/> |
| | (1,813,821) | | 1,153,164 |
| | <hr/> | | <hr/> |
| | 56,380,113 | | 56,380,113 |
| | 11,748 | | 90,178 |
| | 244,767 | | 2,544,767 |
| | 4,594,203 | | 4,594,203 |
| | - | | (2,544,767) |
| | (60,412,845) | | (60,419,126) |
| | <hr/> | | <hr/> |
| | 817,986 | | 645,368 |
| | <hr/> | | <hr/> |
| | (995,835) | | 1,798,532 |
| | 12,329,817 | | 96,772,241 |
| | <hr/> | | <hr/> |
| \$ | 11,333,982 | \$ | 98,570,773 |
| | <hr/> | | <hr/> |

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ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2007

| | |
|---|----------------------|
| Total Net Change in Fund Balances - Governmental Funds | \$ 1,798,532 |
| The District uses internal service funds to charge the costs of certain activities, such as self-insurance and worker's compensation, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net assets. | 2,534,377 |
| Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2007 capital outlays of \$16,714,156 and debt principal payments of \$3,801,299 is to increase net assets. | 20,515,455 |
| 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. | (5,195,544) |
| The proceeds from the issuance of bonds are reported as financial resources on the governmental fund financial statements, whereas there is no effect on the statement of activities. Also, governmental funds report the effect of issuance costs, premiums, discounts, and deferred loss on refundings whereas these amounts are deferred and amortized on the statement of activities. The net effect of reversing bond proceeds and related items for the refunding bonds issued in 2007 is (\$9,610). In addition, there is a current year effect on the statement of activities resulting from amortizing various bond related items as follows: net bond premium-(\$332,902), issuance costs-(\$70,492), deferred loss-(\$136,609), and current year accretion on CAB's-(\$678,427). | (1,228,040) |
| 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-\$167,158, sale of assets-(\$63,242), recognizing the current year change in sick leave payable-(\$199,455), and recognizing interest payable and reversing prior period interest payable-\$7,105. The net effect of these reclassifications and recognitions is to (decrease) net assets. | (88,434) |
| Change in Net Assets of Governmental Activities | <u>\$ 18,336,346</u> |

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

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PROPRIETARY FUND FINANCIAL STATEMENTS

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ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
AUGUST 31, 2007

| | Governmental Activities - |
|--|------------------------------------|
| | Total Internal Service Funds |
| <hr/> | |
| ASSETS | |
| Current Assets: | |
| Cash and Cash Equivalents | \$ 837,660 |
| Investments - Current | <u>14,368,677</u> |
| Total Assets | <u>15,206,337</u> |
| LIABILITIES | |
| Current Liabilities: | |
| Accounts Payable | 323,635 |
| Due to Other Funds | 50,421 |
| Accrued Expenses | 2,863,334 |
| Deferred Revenues | <u>1,176,353</u> |
| Total Current Liabilities | <u>4,413,743</u> |
| Noncurrent Liabilities: | |
| Other Long-Term Debt - Due in More than One Year | <u>3,302,997</u> |
| Total Noncurrent Liabilities | <u>3,302,997</u> |
| Total Liabilities | <u>7,716,740</u> |
| NET ASSETS | |
| Unrestricted Net Assets | <u>7,489,597</u> |
| Total Net Assets | <u><u>\$ 7,489,597</u></u> |

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

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2007

| | Governmental Activities - |
|--|------------------------------------|
| | Total Internal Service Funds |
| OPERATING REVENUES: | |
| Employee and Employer Premiums | \$ 15,769,135 |
| Stop Loss Reimbursement | 117,590 |
| Other | 185,418 |
| Total Operating Revenues | 16,072,143 |
| OPERATING EXPENSES: | |
| Claims and Prescriptions | 12,437,622 |
| Other Operating Costs | 1,817,842 |
| Total Operating Expenses | 14,255,464 |
| Operating Income | 1,816,679 |
| NONOPERATING REVENUES (EXPENSES): | |
| Earnings from Temporary Deposits & Investments | 717,698 |
| Total Nonoperating Revenues (Expenses) | 717,698 |
| Change in Net Assets | 2,534,377 |
| Total Net Assets - September 1 (Beginning) | 4,955,220 |
| Total Net Assets - August 31 (Ending) | \$ 7,489,597 |

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

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2007

| | Governmental Activities - |
|--|------------------------------------|
| | Total Internal Service Funds |
| <u>Cash Flows from Operating Activities:</u> | |
| Cash Received from Employees and Employer | \$ 16,617,799 |
| Cash Received from Stop Loss Carrier | 117,590 |
| Cash Payments for Claims | (13,278,940) |
| Other Payments | (1,815,181) |
| Net Cash Provided by Operating Activities | <u>1,641,268</u> |
| <u>Cash Flows from Investing Activities:</u> | |
| Interest on Investments | <u>717,698</u> |
| Net Increase in Cash and Cash Equivalents | 2,358,966 |
| Cash and Cash Equivalents at Beginning of the Year: | <u>12,847,371</u> |
| Cash and Cash Equivalents at the End of the Year: | <u><u>\$ 15,206,337</u></u> |
| <u>Reconciliation of Operating Income to Net Cash</u> | |
| <u>Provided by Operating Activities:</u> | \$ 1,816,679 |
| Operating Income: | |
| Effect of Increases and Decreases in Current Assets and Liabilities: | |
| Decrease in Due From Other Funds | 635,794 |
| Increase in Accounts Payable | 2,661 |
| Increase (decrease) in Due To Other Funds | 17,947 |
| (Decrease) in Accrued Expenses | (841,318) |
| Increase in Deferred Revenue | 9,505 |
| Net Cash Provided by Operating Activities | <u><u>\$ 1,641,268</u></u> |

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

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FIDUCIARY FUND FINANCIAL STATEMENTS

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ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
AUGUST 31, 2007

| | Agency Fund |
|-----------------------|-------------------|
| <hr/> | |
| ASSETS | |
| Restricted Assets | \$ 966,205 |
| Total Assets | <u>\$ 966,205</u> |
| LIABILITIES | |
| Due to Student Groups | \$ 966,205 |
| Total Liabilities | <u>\$ 966,205</u> |

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

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NOTES TO FINANCIAL STATEMENTS

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ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

The Board of Trustees (the "Board") is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity." The District has component units, which are discretely presented in a separate column in a supporting schedule to the government-wide financial statements. The ECISD Education Foundation, Permian High Band, and Permian Football Booster Club are combined and presented separately in one column to emphasize that they are legally separate from the District.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the District and its component units nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable 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 some times require the District to refund all or part of the unused amount.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the 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.

D. FUND ACCOUNTING

The District reports the following major governmental funds:

1. **The General Fund** – The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. **Construction Fund – Bond Issue** – The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital assets acquisitions are accounted for in a Capital Projects Fund.
3. **Technology Project Fund** – The Technology Project Fund is a locally funded capital project to upgrade computer technology and related infrastructure on a District-wide basis.

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.
2. **Debt Service Funds** – 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 Funds** – 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. The District has a Capital Projects Fund to separately account for various locally funded capital projects occurring throughout the District.
4. **Permanent Funds** – The District accounts for donations for which the donor has stipulated that the principal may not be expended and where the income may only be used for purposes that support the District's programs. The District has no Permanent Funds.

Proprietary Funds:

5. **Enterprise Funds** – The District's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund. The District has no enterprise funds.
6. **Internal Service Funds** – Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in an internal service fund. The District's Internal Service Funds are the Medical Trust Fund and the Worker's Compensation Fund.

Fiduciary Funds:

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

E. OTHER ACCOUNTING POLICIES

1. For purposes of the statement of cash flows for proprietary funds, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. The District reports inventories of supplies at weighted average cost. Supplies are recorded as expenditures when they are consumed. Inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount.
3. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. 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.

4. It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. There is a liability for unpaid accumulated sick leave based upon employees who meet the criteria established in the compensation and benefits local policy. A liability for the current portion only is reported in the fund financial statements. All vacation pay is accrued when incurred in the government-wide and fund financial statements.
5. Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as 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 asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed, and materially complete.

Buildings, furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|----------------------------|--------------|
| Buildings and Improvements | 40 |
| Musical instruments | 20 |
| School buses | 10 |
| Food service equipment | 10 |
| Furniture and equipment | 7 |
| Computer equipment | 5 |
| Vehicles | 5 |

6. Since Internal Service Funds support the operations of governmental funds, they are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid "grossing up" the revenues and expenses of the District as a whole.
7. Restricted net assets represent restrictions that are externally imposed or restrictions imposed by law through constitutional provisions or enabling legislation.
8. The District has self-insured health and workers' compensation plans which are accounted for as proprietary funds. Claims incurred but not reported (IBNR) are accrued if it is probable that a claim will be asserted and the loss can be reasonably estimated. The accrued liabilities for IBNR in the workers' compensation fund are actuarially estimated by Turner Consulting, Inc. Consultants and Actuaries. The accrued liabilities for IBNR in the medical trust fund are based on industry standards applied by underwriters when evaluating a plan.
9. 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.

10. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.
11. The District's investments are reported at cost which approximates fair market value.
12. The Data Control Codes refer to the account code structure prescribed by Texas Education Agency (TEA) in the *Financial Accountability System Resource Guide*. TEA requires school districts to display these codes in the financial statements filed with TEA in order to ensure accuracy in building a Statewide data base for policy development and funding plans.

II. 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 G-1 and the other two reports are in Exhibit J-4 and J-5.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board.
4. The adopted budget must be filed with the Texas Education Agency according to the Public Education Information Management System ("PEIMS") data standards, by Thursday of the second full week of December.

Once a budget is approved and adopted, any commitment that exceeds the available balance of the appropriation on the function level requires a budget amendment before the commitment is made. As dictated 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. All budget amendments enacted at the function level during fiscal year 2007 were legally approved.

Expenditures may not legally exceed budgeted appropriations at the function level within an individual fund for General Funds, Debt Service Funds, and the Capital Project Fund, except when a budget amendment is approved by the Board. For Special Revenue Funds a budget amendment is required by the TEA when cumulative transfers among direct cost categories exceed or are expected to exceed twenty-five percent of the total current approved budget. The District may transfer resources among categories without submitting an amendment as long as the total amount of resources transferred is twenty-five percent or less of the total current approved budget. The total expenditures per funding source per fiscal year cannot exceed the total amount approved. The budget was amended during the year for certain supplementary appropriations as discussed in Management's Discussion and Analysis.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The expenditures shown below were in excess of the final amended budgeted amounts. In the General Fund operating transfers out exceeded appropriations. For Special Revenue Funds, the Texas Education Agency does not require a school district to submit an amendment to the grant as long as the total amount of funds expended is twenty-five percent or less of the total current approved budget. None of the Special Revenue Funds passed through TEA listed below exceeded twenty-five percent of the total approved budget.

| <u>Fund Type</u> | <u>Budgeted Expenditures</u> | <u>Actual Amount</u> | <u>Overage</u> |
|--|----------------------------------|--------------------------|----------------|
| <u>Special Revenue Funds</u> | | | |
| Technology Allotment | | | |
| Instructional Resources and Media Services | \$ 333,903 | \$ 334,306 | \$ (403) |
| Regional Day School for the Deaf | | | |
| General Administration | 0 | 7,771 | (7,771) |

C. DEFICIT FUND EQUITY

No deficits in fund equity occurred.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

The **Public Funds Investment Act** (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 accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (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.

Additional Contractual provisions governing deposits and investments for the District are as follows:

Policies Governing Deposits and Investments

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

- a. Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy regarding types of deposits allowed and collateral requirements is consistent with the requirements of the Public Funds Collateral Act, it is the policy of the District to require full collateralization of all District investments and funds on deposit with a depository bank, other than investments which are obligations of the U.S. Government and its agencies and instrumentalities. As required by Government Code 2257.022 the collateralization level will be 110% of market value of principal and accrued interest on the deposits or investments less an amount insured by the FDIC or FSLIC. Securities pledged as collateral shall be held by an independent third party with whom the District has a current custodial agreement. The Director of Finance is responsible for entering into collateralization agreements with third party custodians in compliance with this policy. The agreements are to specify the acceptable investment securities for collateral, including provisions relating to possession of the collateral, the substitution or release of investment securities, ownership of securities, and the method of valuation of securities. Collateral shall be reviewed at least weekly to assure that the market value of the pledged securities is adequate.

The District is not exposed to custodial credit risk for its deposits as all are covered by depository insurance and collateralization by securities at 110% of the market value.

- b. **Custodial Credit Risk – Investments:** For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form. Thus, the District's positions in external investment pools are not subject to custodial credit risk.
- c. **Interest-Rate Risk –** Interest-rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. To reduce exposure to changes in interest rates that could adversely affect the value of investments, the District shall use final and weighted-average maturity limits and diversification.

While all of the District's investments are available on demand, the underlying weighted average maturity of investments of the external investment pools that the District invests in are listed below as of August 31, 2007:

| <u>Investment Pool</u> | <u>Fair Value</u> | <u>Weighted Average Maturity of Pool's Underlying Investments</u> |
|------------------------|-------------------|---|
| TexPool | \$ 69,691,651 | 35 Days |
| Lone Star | \$ 1,336,207 | 32 Days |
| TexSTAR | \$ 16,690,256 | 16 Days |

- d. **Other Credit Risk Exposure –** The District, in accordance with its investment policy, invests in external public fund investment pools, meeting the requirements of Government Code 2256.016 and 2256.019. These pools invest in U.S. Government agencies and repurchase agreements. The Standard & Poor's credit ratings of the pools are as follows:

| | |
|-------------------------------|----------|
| TexPool Investment Pool | AAAm |
| Lone Star Liquidity Plus Fund | AAAf/S1+ |
| TexSTAR Investment Pool | AAAm |

- e. **Concentration of Credit Risk –** Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy regarding diversity is as follows:

The investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity, or specific issuer.

The District's investment portfolio consists of external investment pools and balances in savings accounts collateralized at 110% of their fair value by securities held by a third party custodian of the District's depository bank in the name of the District.

The District's investments at August 31, 2007, are shown below:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Days Until Maturity</u> | <u>% of Total Portfolio</u> | <u>Weighted Average Maturity</u> |
|------------------------|-----------------------|--------------------------------|-------------------------------------|--|
| TexPool | \$ 69,691,651 | 1 | 65.57 | 0.6557 |
| Lone Star | 1,336,207 | 1 | 1.26 | 0.0126 |
| TexSTAR | 16,690,256 | 1 | 15.71 | 0.1571 |
| High Yield Savings | 10,767,093 | 1 | 10.13 | 0.1013 |
| High Balance Savings | <u>7,788,086</u> | 1 | 7.33 | 0.0733 |
| Total Fair Value | <u>\$ 106,273,293</u> | | | |

Portfolio Weighted Average Maturity 1.0000

Information regarding the District's investment pools may be obtained by contacting the following:

TexPool: Internet: www.texpool.com
Phone: 1-866-839-7665
Address: TexPool Participant Services
c/o Lehman Brothers
600 Travis Street, Suite 7200
Houston, TX 77002

Lone Star: Internet: www.Firstpublic.com
Phone: 1-800-558-8875
Address: First Public
12007 Research Boulevard
Austin, TX 78759

TexSTAR Internet: www.texstar.org
Phone: 1-800-839-7827
Address: TexStar Participant Services
First Southwest Asset Management, Inc.
325 North St. Paul, Suite 800
Dallas, TX 75201

B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the District's fiscal year.

C. DELINQUENT TAXES RECEIVABLE

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

D. INTERFUND BALANCES AND TRANSFERS

Interfund balances at August 31, 2007, consisted of the following amounts:

| | | Due From Other Funds | Due To Other Funds |
|-------------------------|------------------------------|-------------------------|-----------------------|
| General Fund: | | | |
| | Debt Service Fund | \$ - | \$ 19,391 |
| | Capital Projects Funds | - | 21,221,239 |
| | Internal Service Funds | - | - |
| | Total General Fund | - | 21,240,630 |
| Debt Service Fund: | | | |
| | General Fund | 19,391 | - |
| | Total Debt Service Fund | 19,391 | - |
| Capital Project Funds: | | | |
| | Special Revenue Funds | 122,586 | - |
| | General Fund | 21,221,239 | - |
| | Total Capital Projects Funds | 21,343,825 | - |
| Special Revenue Funds: | | | |
| | Capital Projects Fund | - | 122,586 |
| | Internal Service Fund | 50,421 | - |
| | Special Revenue Funds | 1,257,080 | 1,257,080 |
| | Total Special Revenue Funds | 1,307,501 | 1,379,666 |
| Internal Service Funds: | | | |
| | General Fund | - | - |
| | Special Revenue Funds | - | 50,421 |
| | Total Internal Service Funds | - | 50,421 |
| | Totals | \$ 22,670,717 | \$ 22,670,717 |

The purpose of the interfund balances as of August 31, 2007, represents amounts owed to and from other funds, payroll and related benefits, and operations that will be cleared the following month when money is received from the granting agency or when subsequent transfers/repayments are made.

Interfund transfers for the year ended August 31, 2007 consisted of the following amounts:

| | <u>Transfers Out</u> | <u>Transfers In</u> |
|------------------------|-----------------------------|-----------------------------|
| General Fund | \$ 2,544,767 | \$ - |
| Capital Projects Funds | - | 2,300,000 |
| Special Revenue Funds | - | 244,767 |
| | <u> </u> | <u> </u> |
| Totals | \$ <u>2,544,767</u> | \$ <u>2,544,767</u> |

The transfers from the general fund were for the following purposes:

- 1) To fund the District's portion of the Regional Day School for the Deaf Program - \$244,767.
- 2) To supplement funding for the Bond Fund - Projects - \$2,300,000.

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2007 were as follows:

| | <u>Property Taxes</u> | <u>Other Governments</u> | <u>Due From Other Funds</u> | <u>Other</u> | <u>Total Receivables</u> |
|---------------------------------|-----------------------------|------------------------------|---------------------------------|-----------------------------|------------------------------|
| Governmental Activities: | | | | | |
| General Fund | \$ 7,764,858 | \$ 9,314,140 | \$ - | \$ 77,634 | \$ 17,156,632 |
| Bond Fund-Projects | - | - | 2,300,000 | - | 2,300,000 |
| Technology Project | - | - | 15,231,714 | - | 15,231,714 |
| Other Funds | 384,963 | 2,112,501 | 5,139,003 | - | 7,636,467 |
| Internal Service Funds | - | - | - | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total - Governmental Activities | \$ <u>8,149,821</u> | \$ <u>11,426,641</u> | \$ <u>22,670,717</u> | \$ <u>77,634</u> | \$ <u>42,324,813</u> |

Payables at August 31, 2007 were as follows:

| | <u>Accounts Payable</u> | <u>Other Governments</u> | <u>Payroll Deductions and Withholdings Payable</u> | <u>Due To Other Funds</u> | <u>Total Payables</u> |
|---------------------------------|-----------------------------|------------------------------|--|-------------------------------|-----------------------------|
| Governmental Activities: | | | | | |
| General Fund | \$ 3,049,581 | \$ - | \$ 591,140 | \$ 21,240,630 | \$ 24,881,351 |
| Bond Fund-Projects | 1,612,232 | - | - | - | 1,612,232 |
| Technology Project | 30,707 | - | - | - | 30,707 |
| Other Funds | 904,229 | 8,019 | - | 1,379,666 | 2,291,914 |
| Internal Service Funds | 323,635 | - | - | 50,421 | 374,056 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total - Governmental Activities | \$ <u>5,920,384</u> | \$ <u>8,019</u> | \$ <u>591,140</u> | \$ <u>22,670,717</u> | \$ <u>29,190,260</u> |

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended August 31, 2007, was as follows:

| | Primary Government | | | |
|---|----------------------|---------------|-------------|-------------------|
| | Beginning Balance | Additions | Retirements | Ending Balance |
| Governmental activities: | | | | |
| Land | \$ 5,392,099 | \$ 281,454 | \$ - | \$ 5,673,553 |
| Buildings and Improvements | 222,523,982 | 1,117,148 | (12,206) | 223,628,924 |
| Equipment | 19,996,747 | 1,518,483 | (1,009,828) | 20,505,402 |
| Construction in Progress | 5,204,220 | 13,797,071 | - | 19,001,291 |
| Totals at Historical Costs | 253,117,048 | 16,714,156 | (1,022,034) | 268,809,170 |
| Less accumulated depreciation for: | | | | |
| Buildings and Improvements | (99,058,120) | (3,634,936) | 11,596 | (102,681,460) |
| All Equipment | (13,276,677) | (1,560,608) | 947,196 | (13,890,089) |
| Total accumulated depreciation for: | (112,334,797) | (5,195,544) | 958,792 | (116,571,549) |
| Governmental activities capital assets, net | \$ 140,782,251 | \$ 11,518,612 | \$ (63,242) | \$ 152,237,621 |

Depreciation expense was charged to governmental functions as follows:

| | |
|--|--------------|
| Instruction | \$ 2,181,789 |
| Instruction Resources & Media Services | 211,224 |
| Instructional Leadership | 38,690 |
| School Leadership | 140,904 |
| Guidance, Counseling & Evaluation Services | 12,258 |
| Health Services | 4,446 |
| Student Transportation | 710,315 |
| Food Service | 439,795 |
| Co-Curricular/Extracurricular Activities | 598,708 |
| General Administration | 80,536 |
| Facilities Maintenance & Operations | 524,351 |
| Securities & Monitoring Services | 74,086 |
| Data Processing Services | 18,027 |
| Community Services | 160,415 |
| Total Depreciation Expense | \$ 5,195,544 |

G. BONDS PAYABLE

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

On December 11, 2001, The District issued \$55,868,558 of Unlimited Tax School Building and Refunding Bonds, Series 2001 (the "Bonds") maturing from August 15, 2004 through August 15, 2025. Interest rates vary from 3.55% to 5.75%. The Bonds were issued as part of an October 29, 2001 voter approved referendum of \$89,500,000 to renovate schools within the District and to build a new early education center and a new elementary campus. In addition, the bonds defeased \$3,755,000 of old 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 liabilities for the defeased bonds are not included in the District's financial statements. The refunding resulted in no economic gain or loss to the District.

On June 17, 2003, the District issued \$12,430,000 of Unlimited Tax Refunding Bonds, Series 2003 (the "Bonds") maturing from February 15, 2004 through February 15, 2014. Interest rates vary from 1.57% to 3.45%. The Bonds were issued to advance refund a portion of the District's outstanding bonds to lower the District's debt service payments 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 liabilities for the defeased bonds are not included in the District's financial statements. The refunding resulted in an economic gain to the District of \$1,034,094. On August 31, 2007, \$9,215,000 of bonds considered defeased by the Series 2003 Bonds are still outstanding.

On August 12, 2003, the District issued \$37,191,694 of Unlimited Tax School Building and Refunding Bonds, Series 2003A (the "Bonds") maturing from August 15, 2006 through August 15, 2027. Interest rates vary from 2.31% through 5.73%. The Bonds were issued as the remainder of the October 29, 2001 voter approved referendum of \$89,500,000 to renovate schools within the District and to build a new early education center and a new elementary campus. In addition, the bonds defeased \$1,799,953 of old bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. The refunding resulted in no economic gain or loss to the District.

On February 20, 2007, the District issued \$56,380,113 of Unlimited Tax Refunding Bonds, Series 2007 (the "Bonds") maturing from August 15, 2007 through August 15, 2027. Interest rates vary from 4.00% through 4.64%. The Bonds were issued to advance refund a portion of the District's outstanding bonds to lower the District's debt service payments 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 liabilities for the defeased bonds are not included in the District's financial statements. The refunding resulted in an economic gain to the District of \$2,027,926. On August 31, 2007, \$56,380,113 of bonds considered defeased by the Series 2007 Bonds are still outstanding.

A summary of changes in general long-term debt for the year ended August 31, 2007 is as follows:

| Description | Interest Rate Payable | Amounts Original Issue | Interest Current Year | Payable Outstanding 9/1/2006 | Issued | Retired | Payable Outstanding 8/31/2007 |
|--|---|------------------------------|-----------------------------|------------------------------------|--------|------------|-------------------------------------|
| ECISD Unlimited Tax School Building and Refunding Bonds, Series 1993 | 4.00, 4.20, 4.40, 4.50, 4.60, 4.625, 4.90, 5.00, 11.625% | \$ 20,106,570 | \$ 8,140 | \$ 290,000 | \$ - | \$ 290,000 | \$ - |
| ECISD Unlimited Tax School Building and Refunding Bonds, Series 2001 | 3.55, 3.90, 4.20, 4.50, 4.68, 4.80, 4.90, 5.01, 5.13, 5.26, 5.36, 5.46, 5.56, 5.64, 5.7, 5.75% | 55,868,558 | 1,392,734 | 51,499,500 | - | 29,160,193 | 22,339,307 |

| Description | Interest Rate Payable | Amounts Original Issue | Interest Current Year | Payable Outstanding 9/1/2006 | Issued | Retired | Payable Outstanding 8/31/2007 |
|---|--|------------------------------|-----------------------------|------------------------------------|---------------|---------------|-------------------------------------|
| ECISD Unlimited Tax School Refunding Bonds, Series 2003 | 1.57, 2.00, 2.75, 3.00, 3.125, 3.25, 3.45% | \$ 12,430,000 | \$ 298,333 | \$ 10,585,000 | \$ - | \$ 1,245,000 | \$ 9,340,000 |
| ECISD Unlimited Tax School Building and Refunding Bonds, Series 2003A | 3.94, 4.28, 4.47, 4.61, 4.75, 4.92, 5.00, 5.07, 5.20, 5.25, 5.32, 5.41, 5.50, 5.59, 5.67, 5.73% | 37,191,694 | 694,000 | 36,869,730 | - | 29,396,219 | 7,473,511 |
| ECISD Unlimited Tax School Refunding Bonds, Series 2007 | 4.00, 4.16, 4.20, 4.23, 4.25, 4.29, 4.30, 4.35, 4.36, 4.50, 4.56, 4.64% | 56,380,113 | 1,420,656 | - | 56,380,113 | 90,000 | 56,290,113 |
| TOTAL | | \$ 181,976,935 | \$ 3,813,863 | \$ 99,244,230 | \$ 56,380,113 | \$ 60,181,412 | \$ 95,442,931 |

Debt service requirements are as follows:

| Year Ended August 31, | General Obligations | | | Total Requirements |
|-----------------------|------------------------|---------------|----|-----------------------|
| | Principal | Interest | | |
| 2008 | \$ 3,907,929 | \$ 4,396,088 | \$ | 8,304,017 |
| 2009 | 5,007,251 | 4,242,814 | | 9,250,065 |
| 2010 | 4,847,548 | 4,409,254 | | 9,256,802 |
| 2011 | 4,696,366 | 4,556,950 | | 9,253,316 |
| 2012 | 3,300,418 | 5,952,081 | | 9,252,499 |
| 2013-2017 | 11,589,008 | 32,741,977 | | 44,330,985 |
| 2018-2022 | 24,329,411 | 18,730,924 | | 43,060,335 |
| 2023-2027 | 37,765,000 | 5,293,968 | | 43,058,968 |
| | \$ 95,442,931 | \$ 80,324,056 | \$ | 175,766,987 |

H. COMMITMENTS UNDER OPERATING LEASES

Commitments under operating (noncapitalized) lease agreements for equipment provide for minimum future rental payments as of August 31, 2007, are as follows:

| <u>Year Ending August 31,</u> | <u>Future Rental Payments</u> |
|---|---------------------------------------|
| 2008 | \$ 442,658 |
| 2009 | 297,987 |
| 2010 | 90,589 |
| 2011 | 54,528 |
| 2012 | <u>2,423</u> |
| Total Minimum Rentals | \$ <u>888,185</u> |
| Rental Expenditures in Fiscal Year 2007 | \$ <u>823,457</u> |

I. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

Upon retirement or death of certain employees, the District pays any accrued sick leave and vacation leave in a lump sum payment to such employee or his/her estate based upon the following criteria:

1. Hourly position employees not working a scheduled 40-hour week are not eligible to be paid for accrued leave.
2. Any employee not mentioned above who retired after completing five consecutive years or resigns after completing 20 years of service with the District shall be paid for accrued leave. Accrued leave shall be computed at one-half the daily rate at the time of retirement or resignation times the number of accrued leave days, which shall not exceed one-half the number of working days in an annual contract. In order to receive payment for unused sick leave, retirement must occur at the end of the employee's contract period, or when retirement is necessitated by a medical disability as approved by the Teacher Retirement System. Exceptions to this provision shall be reviewed by the Board upon recommendation of the Superintendent. No benefits shall be calculated on a salary schedule exceeding that of a regular teacher's salary schedule.

A summary of changes in the accumulated leave and vacation leave liability follows:

| | <u>Sick Leave</u> | <u>Vacation Leave</u> |
|--|---------------------|---------------------------|
| Balance, August 31, 2006 | \$ 4,336,379 | \$ 641,289 |
| Additions - New Entrants and Salary Increments | 840,690 | 129,727 |
| Deductions - Payments to Participants | <u>(709,235)</u> | <u>(102,903)</u> |
| Balance August 31, 2007 | \$ <u>4,467,834</u> | \$ <u>668,113</u> |

J. DEFINED BENEFIT PENSION PLAN

The District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

Funding Policy. State law provides for fiscal years 2007, 2006 and 2005 a state contribution rate of 6.0% and a member contribution rate of 6.4%. In certain instances the reporting district is required to make all or a portion of the state's 6.0% contribution. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during that fiscal year; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State contributions to TRS made on behalf of the District's employees for the years ended August 31, 2007, 2006 and 2005 were \$5,888,942, \$5,484,756, and \$5,267,715 respectively. The District paid additional state contributions for the years ended August 31, 2007, 2006, and 2005 in the amount of \$759,089, \$791,730, and \$671,421 respectively, on the portion of the employees' salaries that exceeded the statutory minimum.

K. RISK MANAGEMENT

Health Insurance

The District sponsors a self-insurance plan to provide health care benefits to staff members and their dependents. Transactions related to the plan are accounted for in the Medical Trust Fund (the "Fund"), an internal service fund of the District. The District contributed \$275 per month per employee and each employee contributed \$35 per month to the plan. Employees, at their option, authorized payroll withholding to pay contributions for dependents. Third party administrators paid all claims from the fund. The plan was authorized by Section 21.922, Texas Education Code, and was documented by contractual agreement. The District was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through Gerber Life Insurance Company, a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code. Stop loss coverage was in effect for individual claims exceeding \$250,000 annually with a maximum reimbursement per covered person of \$1,000,000 lifetime maximum, and aggregate coverage with an attachment point of \$19,569,819.

Estimates of claims payable and of claims incurred, but not reported at August 31, 2007, are reflected as accounts and claims payable of the Fund. The plan is funded to discharge liabilities of the Fund as they become due.

For the school year 2006-07, one claim exceeded the \$250,000 limit. Changes in the balances of claims liabilities during the past year are as follows:

| | Year Ended August 31, 2006 | Year Ended August 31, 2007 |
|--------------------------------------|----------------------------------|----------------------------------|
| Unpaid claims, beginning of the year | \$ 1,932,501 | \$ 2,013,064 |
| Incurred claims (including IBNR's) | 13,622,972 | 11,843,153 |
| Claim Payments | <u>(13,542,409)</u> | <u>(11,980,812)</u> |
| Unpaid claims, end of fiscal year | \$ <u>2,013,064</u> | \$ <u>1,875,405</u> |

Worker's Compensation

The District sponsors a self-insured Worker's Compensation Fund. Claims exceeding \$300,000 up to the State of Texas statutory limits per occurrence are covered by a stop loss plan through the Texas Association of School Boards, whose carrier is Safety National Casualty Corporation.

For the school year 2006-07, one claim exceeded the \$300,000 limit. Changes in the balances of the claims liability during the past year are as follows:

| | Year Ended August 31, 2006 | Year Ended August 31, 2007 |
|--------------------------------------|----------------------------------|----------------------------------|
| Unpaid claims, beginning of the year | \$ 4,892,676 | \$ 4,592,548 |
| Incurred claims (including IBNR's) | 789,575 | 594,469 |
| Claim Payments | <u>(1,089,703)</u> | <u>(896,091)</u> |
| Unpaid claims, end of fiscal year | \$ <u>4,592,548</u> | \$ <u>4,290,926</u> |

L. CHANGES IN LONG-TERM LIABILITIES

Long-term activity for the year ended August 31, 2007, was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|-------------------------------------|----------------------|--------------------|---------------------|--------------------|---------------------------|
| Governmental Activities: | | | | | |
| Bonds and Notes Payable: | | | | | |
| School Building and Refunding Bonds | \$99,244,230 | \$56,380,113 | (60,181,412) | \$95,442,931 | \$3,907,929 |
| Accumulated Accretion | 9,948,068 | 2,729,064 | (2,050,637) | 10,626,495 | - |
| Net Bond Premium | 2,866,120 | 4,937,328 | (515,335) | 7,288,113 | - |
| | <u>112,058,418</u> | <u>64,046,505</u> | <u>(62,747,384)</u> | <u>113,357,539</u> | <u>3,907,929</u> |
| Less Deferred Amount on Refunding | <u>(379,270)</u> | <u>(3,527,620)</u> | <u>136,609</u> | <u>(3,770,281)</u> | <u>-</u> |
| Total Bonds and Notes Payable | <u>111,679,148</u> | <u>60,518,885</u> | <u>(62,610,775)</u> | <u>109,587,258</u> | <u>3,907,929</u> |

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|-------------------------------|----------------------|--------------|--------------|-------------------|---------------------------|
| Governmental Activities: | | | | | |
| Other Liabilities: | | | | | |
| Worker's Compensation (IBNR) | 4,592,548 | 594,469 | (896,091) | 4,290,926 | 987,929 |
| Sick Leave Benefits | 4,336,379 | 840,690 | (709,235) | 4,467,834 | 588,000 |
| Total Other | 8,928,927 | 1,435,159 | (1,605,326) | 8,758,760 | 1,575,929 |
| Total Governmental Activities | | | | | |
| Long-Term Liabilities | \$120,608,075 | \$61,954,044 | (64,216,101) | \$118,346,018 | \$5,483,858 |

M. DEFERRED REVENUE

Deferred revenue at year end consisted of the following:

| | General Fund | Special Revenue Fund | Debt Service Fund | Total |
|-------------------------------|---------------------|-------------------------|----------------------|---------------------|
| Net Tax Revenue | \$ 1,708,269 | \$ - | \$ 84,693 | \$ 1,792,962 |
| High School Allotment | - | 559,541 | - | 559,541 |
| Commodities | - | 284,546 | - | 284,546 |
| Season Ticket Sales | 267,323 | - | - | 267,323 |
| Contract Reimbursement | 178,248 | - | - | 178,248 |
| OHS Scholarship Fund | - | 43,026 | - | 43,026 |
| Students in Philanthropy | 34,000 | - | - | 34,000 |
| Advanced Placement Incentives | - | 29,489 | - | 29,489 |
| Estate of Ruby Weldon | 27,545 | - | - | 27,545 |
| Odessa Regional School Clinic | - | 3,066 | - | 3,066 |
| Hays Elementary PTA | 958 | - | - | 958 |
| Administrative Fee | 900 | - | - | 900 |
| Gear Up | 500 | - | - | 500 |
| | <u>\$ 2,217,743</u> | <u>\$ 919,668</u> | <u>\$ 84,693</u> | <u>\$ 3,222,104</u> |

N. DUE FROM STATE AND FEDERAL AGENCIES

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2007, are summarized below.

| Fund Name | State Entitlements | Federal Grants | Total |
|---|--------------------|----------------|---------------|
| General | \$ 9,314,140 | \$ - | \$ 9,314,140 |
| Debt Service | 122,002 | - | 122,002 |
| ESEA Title IV - Safe & Drug Free Schools | - | 49,236 | 49,236 |
| ESEA Title I, Part A - Improving Basic Programs | - | 595,025 | 595,025 |
| ESEA Title I Part C Migrant | - | 8,123 | 8,123 |
| IDEA - Part B, Formula | - | 429,379 | 429,379 |
| IDEA - Part B, Preschool | - | 14,629 | 14,629 |
| National Breakfast and Lunch Program | - | 188,529 | 188,529 |
| Vocational Education Basic Grant | - | 24,737 | 24,737 |
| ESEA II, A Training and Recruiting | - | 611,378 | 611,378 |
| Title III, Part A-English Language Acquisition | - | 5,741 | 5,741 |
| IDEA - Part B, Discretionary Deaf | - | 618 | 618 |
| IDEA - Part B, Deaf | - | 1,517 | 1,517 |
| Student Success Initiative ARI/AMI | 4,029 | - | 4,029 |
| Technology Allotment | 12,801 | - | 12,801 |
| TX Educator Excellence Award Program | 44,757 | - | 44,757 |
| Total | \$ 9,497,729 | \$ 1,928,912 | \$ 11,426,641 |

O. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

| | General Fund | Special Revenue Fund | Debt Service Fund | Capital Projects Fund | Total |
|----------------------------------|-----------------|----------------------------|-------------------------|-----------------------------|---------------|
| Property Taxes | \$ 82,149,802 | \$ - | \$ 5,129,362 | \$ - | \$ 87,279,164 |
| Penalties, Interest and Other | | | | | |
| Tax-Related Income | 1,000,358 | - | 61,138 | - | 1,061,496 |
| Investment Income | 4,704,667 | 82,021 | 309,701 | 1,142,613 | 6,239,002 |
| Food Sales | - | 3,113,095 | | - | 3,113,095 |
| Co-Curricular Student Activities | 1,030,034 | - | | - | 1,030,034 |
| Other | 649,566 | 203,074 | | - | 852,640 |
| Total | \$ 89,534,427 | \$ 3,398,190 | \$ 5,500,201 | \$ 1,142,613 | \$ 99,575,431 |

P. CONTINGENT LIABILITIES

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

In the opinion of management, the District has materially complied with all requirements. However, since such programs are subject to future audit or review, the possibility of disallowed expenditures exists. In the event of such disallowance of claimed expenditures, the District does not expect the resulting liability to have a material adverse effect on its combined financial statements at August 31, 2007.

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not determinable presently, in the opinion of the District’s counsel the resolution of these matters will not have a material adverse effect on the financial statements of the District. However, see Note S, Subsequent Events, regarding a lawsuit effecting property tax that is recorded as a liability of \$1,702,917 for the fiscal year 2006-07, with a potential of an additional \$400,000 loss of revenue to the District.

Q. CONSTRUCTION COMMITMENT

The District had the following construction commitment as of August 31, 2007.

| <u>Name of Project</u> | <u>Contractor</u> | <u>Contract Amount</u> |
|--|---------------------------|------------------------|
| Burleson Elementary Renovation and Expansion | J.C. Roberts Construction | \$ 3,298,179 |

R. SHARED SERVICE ARRANGEMENTS

The District is the fiscal agent for a Shared Service Arrangement (“SSA”) that provides deaf education to member districts. In addition to the District, other member districts include Ft. Stockton, Pecos, Kermit, Andrews, Crane and Monahans. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. According to guidance provided in TEA’s Resource Guide, the District has accounted for the fiscal agent’s activities of the SSA in Special Revenue Fund 435, 315, 316, 317 and 340 using Model 3 in the SSA section. Expenditures of the SSA are summarized below:

| | |
|--|------------------------------|
| Ector County Independent School District | \$ 535,208 |
| Kermit Independent School District | 34,530 |
| Pecos Independent School District | 34,530 |
| Ft. Stockton Independent School District | 34,530 |
| Monahans Independent School District | 34,530 |
| Crane Independent School District | 34,530 |
| Big Spring Independent School District | 17,264 |
| Andrews Independent School District | <u>17,264</u> |
| TOTAL | \$ <u><u>742,386</u></u> |

S. SUBSEQUENT EVENTS

Subsequent to year end, through the District's local appraisal authority, Ector County Appraisal District, the District will be affected by a lawsuit regarding property valuation of the Odessa Huntsman Polymers Refinery and 2006 property taxes paid during the year ended August 31, 2007. Based on Ector County Appraisal District's settlement offer, the District has reduced current year tax collections in the General Fund and Debt Service Fund by \$1,702,917 and recorded a liability for the same amount. In addition the District has reduced current-year State funding by \$232,527 as a result of the above based on the estimated impact of the change in current year Foundation funding.

For the tax year 2007, (2007-08), the Ector County Appraisal District is estimating a reduction in the taxable value of the property as a result of the litigation of approximately \$10,000,000.

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BUDGETARY COMPARISON REPORTING
(Unaudited)

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ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2007

| Data Control Codes | | Budgeted Amounts | | Actual Amounts (GAAP BASIS) | Variance With Final Budget Positive or (Negative) |
|---------------------------------|---|------------------|---------------|-----------------------------|---|
| | | Original | Final | | |
| REVENUES: | | | | | |
| 5700 | Total Local and Intermediate Sources | \$ 90,496,421 | \$ 92,612,100 | \$ 89,534,427 | \$ (3,077,673) |
| 5800 | State Program Revenues | 82,046,124 | 83,283,205 | 83,062,093 | (221,112) |
| 5900 | Federal Program Revenues | 1,055,000 | 2,055,500 | 1,965,227 | (90,273) |
| 5020 | Total Revenues | 173,597,545 | 177,950,805 | 174,561,747 | (3,389,058) |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| 0011 | Instruction | 99,629,005 | 98,226,055 | 90,037,005 | 8,189,050 |
| 0012 | Instructional Resources and Media Services | 4,205,970 | 4,266,925 | 4,010,831 | 256,094 |
| 0013 | Curriculum and Instructional Staff Development | 1,593,365 | 4,202,501 | 3,414,250 | 788,251 |
| 0021 | Instructional Leadership | 2,654,599 | 2,897,591 | 2,667,475 | 230,116 |
| 0023 | School Leadership | 12,061,619 | 12,448,990 | 11,872,162 | 576,828 |
| 0031 | Guidance, Counseling and Evaluation Services | 5,942,875 | 6,213,133 | 5,318,692 | 894,441 |
| 0032 | Social Work Services | 333,756 | 334,624 | 309,402 | 25,222 |
| 0033 | Health Services | 1,471,468 | 1,646,107 | 1,488,574 | 157,533 |
| 0034 | Student (Pupil) Transportation | 7,531,282 | 7,584,537 | 5,772,629 | 1,811,908 |
| 0036 | Cocurricular/Extracurricular Activities | 4,325,188 | 4,566,092 | 4,414,013 | 152,079 |
| 0041 | General Administration | 6,243,697 | 6,574,245 | 5,720,934 | 853,311 |
| 0051 | Facilities Maintenance and Operations | 23,005,934 | 22,688,296 | 18,755,969 | 3,932,327 |
| 0052 | Security and Monitoring Services | 1,877,194 | 2,244,335 | 1,899,104 | 345,231 |
| 0053 | Data Processing Services | 1,459,904 | 1,481,269 | 1,382,895 | 98,374 |
| 0061 | Community Services | 921,643 | 896,133 | 766,907 | 129,226 |
| Capital Outlay: | | | | | |
| 0081 | Facilities Acquisition and Construction | 15,000 | 379,864 | 365,248 | 14,616 |
| 6030 | Total Expenditures | 173,272,499 | 176,650,697 | 158,196,090 | 18,454,607 |
| 1100 | Excess (Deficiency) of Revenues Over (Under) Expenditures | 325,046 | 1,300,108 | 16,365,657 | 15,065,549 |
| OTHER FINANCING SOURCES (USES): | | | | | |
| 7912 | Sale of Real and Personal Property | - | 70,000 | 78,430 | 8,430 |
| 8911 | Transfers Out (Use) | (325,046) | (2,590,545) | (2,544,767) | 45,778 |
| 8949 | Other (Uses) | - | (6,300) | (6,281) | 19 |
| 7080 | Total Other Financing Sources (Uses) | (325,046) | (2,526,845) | (2,472,618) | 54,227 |
| 1200 | Net Change in Fund Balances | - | (1,226,737) | 13,893,039 | 15,119,776 |
| 0100 | Fund Balance - September 1 (Beginning) | 41,776,388 | 41,776,388 | 41,776,388 | - |
| 3000 | Fund Balance - August 31 (Ending) | \$ 41,776,388 | \$ 40,549,651 | \$ 55,669,427 | \$ 15,119,776 |

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COMBINING SCHEDULES

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2007

| Data Control Codes | | 204 ESEA Title IV Safe & Drug Free Schools | 211 ESEA I, A Improving Basic Program | 212 ESEA Title I Part C Migrant |
|--------------------------------------|--|---|--|--|
| ASSETS | | | | |
| 1110 | Cash and Cash Equivalents | \$ 8,737 | \$ - | \$ - |
| 1120 | Investments - Current | - | - | - |
| 1220 | Property Taxes - Delinquent | - | - | - |
| 1230 | Allowance for Uncollectible Taxes (Credit) | - | - | - |
| 1240 | Due from Other Governments | 49,236 | 595,025 | 8,123 |
| 1260 | Due from Other Funds | - | - | - |
| 1300 | Inventories | - | - | - |
| 1000 | Total Assets | <u>\$ 57,973</u> | <u>\$ 595,025</u> | <u>\$ 8,123</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| 2110 | Accounts Payable | \$ - | \$ 13 | \$ - |
| 2170 | Due to Other Funds | 57,973 | 595,012 | 8,123 |
| 2180 | Due to Other Governments | - | - | - |
| 2300 | Deferred Revenues | - | - | - |
| 2000 | Total Liabilities | <u>57,973</u> | <u>595,025</u> | <u>8,123</u> |
| Fund Balances: | | | | |
| Reserved For: | | | | |
| 3410 | Investments in Inventory | - | - | - |
| 3420 | Retirement of Long Term Debt | - | - | - |
| 3440 | Outstanding Encumbrances | - | - | - |
| 3450 | Food Service | - | - | - |
| 3490 | Other Purposes | - | - | - |
| 3000 | Total Fund Balances | <u>-</u> | <u>-</u> | <u>-</u> |
| 4000 | Total Liabilities and Fund Balances | <u>\$ 57,973</u> | <u>\$ 595,025</u> | <u>\$ 8,123</u> |

| 224 | 225 | 240 | 243 | 244 | 255 | 256 | 262 |
|--------------------------|----------------------------|--|---|---------------------------------|---|--|--|
| IDEA - Part B Formula | IDEA - Part B Preschool | National Breakfast and Lunch Program | Vocational Ed Technical Preparation | Vocational Ed Basic Grant | ESEA II,A Training and Recruiting | ESEA, I, F Comprehensive School Reform | Title II, D Education Technology |
| \$ - | \$ - | \$ 288,663 | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | 1,402,425 | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 429,379 | 14,629 | 188,529 | - | 24,737 | 611,378 | - | - |
| - | - | 698,695 | - | - | - | - | - |
| - | - | 1,462,882 | - | - | - | - | - |
| <u>\$ 429,379</u> | <u>\$ 14,629</u> | <u>\$ 4,041,194</u> | <u>\$ -</u> | <u>\$ 24,737</u> | <u>\$ 611,378</u> | <u>\$ -</u> | <u>\$ -</u> |
| | | | | | | | |
| \$ - | \$ - | \$ 357,013 | \$ - | \$ 663 | \$ 427,177 | \$ - | \$ - |
| 429,379 | 14,629 | - | - | 24,074 | 184,201 | - | - |
| - | - | - | - | - | - | - | - |
| - | - | 284,546 | - | - | - | - | - |
| <u>429,379</u> | <u>14,629</u> | <u>641,559</u> | <u>-</u> | <u>24,737</u> | <u>611,378</u> | <u>-</u> | <u>-</u> |
| | | | | | | | |
| - | - | 1,462,882 | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | 69,173 | - | - | - | - | - |
| - | - | 1,867,580 | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>-</u> | <u>-</u> | <u>3,399,635</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>\$ 429,379</u> | <u>\$ 14,629</u> | <u>\$ 4,041,194</u> | <u>\$ -</u> | <u>\$ 24,737</u> | <u>\$ 611,378</u> | <u>\$ -</u> | <u>\$ -</u> |

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2007

| Data Control Codes | | 263 Title III, A English Lang. Acquisition | 269 Title V, Pt.A Innovative Programs | 272 Medicaid Admin. Claim MAC | 280 Texas Classroom Supply Grant |
|--------------------------------------|--|---|--|--|---|
| ASSETS | | | | | |
| 1110 | Cash and Cash Equivalents | \$ - | \$ - | \$ - | \$ - |
| 1120 | Investments - Current | - | - | - | - |
| 1220 | Property Taxes - Delinquent | - | - | - | - |
| 1230 | Allowance for Uncollectible Taxes (Credit) | - | - | - | - |
| 1240 | Due from Other Governments | 5,741 | - | - | - |
| 1260 | Due from Other Funds | - | - | - | - |
| 1300 | Inventories | - | - | - | - |
| 1000 | Total Assets | <u>\$ 5,741</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| 2110 | Accounts Payable | \$ - | \$ - | \$ - | \$ - |
| 2170 | Due to Other Funds | 5,741 | - | - | - |
| 2180 | Due to Other Governments | - | - | - | - |
| 2300 | Deferred Revenues | - | - | - | - |
| 2000 | Total Liabilities | <u>5,741</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balances: | | | | | |
| Reserved For: | | | | | |
| 3410 | Investments in Inventory | - | - | - | - |
| 3420 | Retirement of Long Term Debt | - | - | - | - |
| 3440 | Outstanding Encumbrances | - | - | - | - |
| 3450 | Food Service | - | - | - | - |
| 3490 | Other Purposes | - | - | - | - |
| 3000 | Total Fund Balances | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| 4000 | Total Liabilities and Fund Balances | <u>\$ 5,741</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

| 281 Abstinence Education Program | 289 Title VI, LEP Summer Program | 315 SSA IDEA, Part B Discretionary | 316 SSA IDEA, Part B Deaf | 317 SSA - IDEA, B Preschool Deaf | 340 SSA - IDEA C Deaf - Early Intervention | 397 Advanced Placement Incentives | 401 Optional Extended Year Program |
|---|---|---|------------------------------------|---|---|--|---|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | 618 | 1,517 | - | - | - | - |
| - | - | - | - | - | - | 30,167 | - |
| - | - | - | - | - | - | - | - |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ 618</u> | <u>\$ 1,517</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 30,167</u> | <u>\$ -</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 678 | \$ - |
| - | - | 618 | 1,517 | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | 29,489 | - |
| <u>-</u> | <u>-</u> | <u>618</u> | <u>1,517</u> | <u>-</u> | <u>-</u> | <u>30,167</u> | <u>-</u> |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ 618</u> | <u>\$ 1,517</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 30,167</u> | <u>\$ -</u> |

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2007

| Data Control Codes | | 404 Student Success Init. ARI/AMI | 411 Technology Allotment | 421 Master Reading Teacher | 426 TX Educator Excellence Award Program |
|--------------------------------------|--|--|--------------------------------|-------------------------------------|---|
| ASSETS | | | | | |
| 1110 | Cash and Cash Equivalents | \$ - | \$ - | \$ - | \$ - |
| 1120 | Investments - Current | - | - | - | - |
| 1220 | Property Taxes - Delinquent | - | - | - | - |
| 1230 | Allowance for Uncollectible Taxes (Credit) | - | - | - | - |
| 1240 | Due from Other Governments | 4,029 | 12,801 | - | 44,757 |
| 1260 | Due from Other Funds | - | - | - | - |
| 1300 | Inventories | - | - | - | - |
| 1000 | Total Assets | <u>\$ 4,029</u> | <u>\$ 12,801</u> | <u>\$ -</u> | <u>\$ 44,757</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| 2110 | Accounts Payable | \$ 64 | \$ - | \$ - | \$ 3,124 |
| 2170 | Due to Other Funds | 3,965 | 12,801 | - | 41,633 |
| 2180 | Due to Other Governments | - | - | - | - |
| 2300 | Deferred Revenues | - | - | - | - |
| 2000 | Total Liabilities | <u>4,029</u> | <u>12,801</u> | <u>-</u> | <u>44,757</u> |
| Fund Balances: | | | | | |
| Reserved For: | | | | | |
| 3410 | Investments in Inventory | - | - | - | - |
| 3420 | Retirement of Long Term Debt | - | - | - | - |
| 3440 | Outstanding Encumbrances | - | - | - | - |
| 3450 | Food Service | - | - | - | - |
| 3490 | Other Purposes | - | - | - | - |
| 3000 | Total Fund Balances | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| 4000 | Total Liabilities and Fund Balances | <u>\$ 4,029</u> | <u>\$ 12,801</u> | <u>\$ -</u> | <u>\$ 44,757</u> |

| 428 High School Allotment | 435 SSA Regional Day School - Deaf | 488 Teacher of the Year Program | 490 Barbara Jordan Trust | 491 OHS Scholarship Fund | 496 School Clinic | Total Nonmajor Special Revenue Funds | 511 Debt Service Fund |
|------------------------------------|---|--|-----------------------------------|-----------------------------------|-------------------------|---|--------------------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1 | \$ 297,401 | \$ 41,063 |
| - | - | - | 115,196 | 44,925 | - | 1,562,546 | 3,930,169 |
| - | - | - | - | - | - | - | 384,963 |
| - | - | - | - | - | - | - | (300,271) |
| - | - | - | - | - | - | 1,990,499 | 122,002 |
| 567,217 | 8,357 | - | - | - | 3,065 | 1,307,501 | 19,391 |
| - | - | - | - | - | - | 1,462,882 | - |
| <u>\$ 567,217</u> | <u>\$ 8,357</u> | <u>\$ -</u> | <u>\$ 115,196</u> | <u>\$ 44,925</u> | <u>\$ 3,066</u> | <u>\$ 6,620,829</u> | <u>\$ 4,197,317</u> |
| | | | | | | | |
| \$ 7,661 | \$ 353 | \$ - | \$ - | \$ - | \$ - | \$ 796,746 | \$ 100,172 |
| - | - | - | - | - | - | 1,379,666 | - |
| 15 | 8,004 | - | - | - | - | 8,019 | - |
| 559,541 | - | - | - | 43,026 | 3,066 | 919,668 | 84,693 |
| <u>567,217</u> | <u>8,357</u> | <u>-</u> | <u>-</u> | <u>43,026</u> | <u>3,066</u> | <u>3,104,099</u> | <u>184,865</u> |
| | | | | | | | |
| - | - | - | - | - | - | 1,462,882 | - |
| - | - | - | - | - | - | - | 4,012,452 |
| - | - | - | - | - | - | 69,173 | - |
| - | - | - | - | - | - | 1,867,580 | - |
| - | - | - | 115,196 | 1,899 | - | 117,095 | - |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>115,196</u> | <u>1,899</u> | <u>-</u> | <u>3,516,730</u> | <u>4,012,452</u> |
| <u>\$ 567,217</u> | <u>\$ 8,357</u> | <u>\$ -</u> | <u>\$ 115,196</u> | <u>\$ 44,925</u> | <u>\$ 3,066</u> | <u>\$ 6,620,829</u> | <u>\$ 4,197,317</u> |

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2007

| Data Control Codes | 665 Building Grounds Improvements | Total Nonmajor Governmental Funds |
|---|--|--|
| ASSETS | | |
| 1110 Cash and Cash Equivalents | \$ - | \$ 338,464 |
| 1120 Investments - Current | - | 5,492,715 |
| 1220 Property Taxes - Delinquent | - | 384,963 |
| 1230 Allowance for Uncollectible Taxes (Credit) | - | (300,271) |
| 1240 Due from Other Governments | - | 2,112,501 |
| 1260 Due from Other Funds | 3,812,111 | 5,139,003 |
| 1300 Inventories | - | 1,462,882 |
| 1000 Total Assets | <u>\$ 3,812,111</u> | <u>\$ 14,630,257</u> |
| LIABILITIES AND FUND BALANCES | | |
| Liabilities: | | |
| 2110 Accounts Payable | \$ 7,311 | \$ 904,229 |
| 2170 Due to Other Funds | - | 1,379,666 |
| 2180 Due to Other Governments | - | 8,019 |
| 2300 Deferred Revenues | - | 1,004,361 |
| 2000 Total Liabilities | <u>7,311</u> | <u>3,296,275</u> |
| Fund Balances: | | |
| Reserved For: | | |
| 3410 Investments in Inventory | - | 1,462,882 |
| 3420 Retirement of Long Term Debt | - | 4,012,452 |
| 3440 Outstanding Encumbrances | 335,586 | 404,759 |
| 3450 Food Service | - | 1,867,580 |
| 3490 Other Purposes | 3,469,214 | 3,586,309 |
| 3000 Total Fund Balances | <u>3,804,800</u> | <u>11,333,982</u> |
| 4000 Total Liabilities and Fund Balances | <u>\$ 3,812,111</u> | <u>\$ 14,630,257</u> |

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ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2007

| Data Control Codes | | 204 ESEA Title IV Safe & Drug Free Schools | 211 ESEA I, A Improving Basic Program | 212 ESEA Title I Part C Migrant |
|---------------------------------|---|---|--|--|
| REVENUES: | | | | |
| 5700 | Total Local and Intermediate Sources | \$ - | \$ - | \$ - |
| 5800 | State Program Revenues | - | - | - |
| 5900 | Federal Program Revenues | 174,406 | 7,785,337 | 178,546 |
| 5020 | Total Revenues | 174,406 | 7,785,337 | 178,546 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| 0011 | Instruction | - | 7,448,964 | 63,245 |
| 0012 | Instructional Resources and Media Services | - | - | - |
| 0013 | Curriculum and Instructional Staff Development | - | 137,989 | - |
| 0021 | Instructional Leadership | - | 11,260 | 109,792 |
| 0023 | School Leadership | - | - | - |
| 0031 | Guidance, Counseling and Evaluation Services | 174,406 | - | - |
| 0033 | Health Services | - | - | - |
| 0034 | Student (Pupil) Transportation | - | - | 2,429 |
| 0035 | Food Services | - | - | - |
| 0036 | Cocurricular/Extracurricular Activities | - | - | - |
| 0041 | General Administration | - | - | - |
| 0051 | Facilities Maintenance and Operations | - | - | - |
| 0061 | Community Services | - | 187,124 | 3,080 |
| Debt Service: | | | | |
| 0071 | Debt Service - Principal on Long Term Debt | - | - | - |
| 0072 | Debt Service - Interest on Long Term Debt | - | - | - |
| 0073 | Debt Service - Bond Issuance Cost and Fees | - | - | - |
| Capital Outlay: | | | | |
| 0081 | Facilities Acquisition and Construction | - | - | - |
| 6030 | Total Expenditures | 174,406 | 7,785,337 | 178,546 |
| 1100 | Excess (Deficiency) of Revenues Over (Under) Expenditures | - | - | - |
| OTHER FINANCING SOURCES (USES): | | | | |
| 7911 | Capital Related Debt Issued (Regular Bonds) | - | - | - |
| 7912 | Sale of Real and Personal Property | - | - | - |
| 7915 | Transfers In | - | - | - |
| 7916 | Premium or Discount on Issuance of Bonds | - | - | - |
| 8949 | Other (Uses) | - | - | - |
| 7080 | Total Other Financing Sources (Uses) | - | - | - |
| 1200 | Net Change in Fund Balance | - | - | - |
| 0100 | Fund Balance - September 1 (Beginning) | - | - | - |
| 3000 | Fund Balance - August 31 (Ending) | \$ - | \$ - | \$ - |

| 224 | 225 | 240 | 243 | 244 | 255 | 256 | 262 |
|--------------------------|----------------------------|--|---|---------------------------------|---|--|--|
| IDEA - Part B Formula | IDEA - Part B Preschool | National Breakfast and Lunch Program | Vocational Ed Technical Preparation | Vocational Ed Basic Grant | ESEA II,A Training and Recruiting | ESEA, I, F Comprehensive School Reform | Title II, D Education Technology |
| \$ - | \$ - | \$ 3,189,748 | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | 275,034 | - | - | - | - | - |
| 5,493,568 | 167,528 | 7,002,270 | 20,561 | 296,981 | 1,858,226 | 29,843 | 107,923 |
| 5,493,568 | 167,528 | 10,467,052 | 20,561 | 296,981 | 1,858,226 | 29,843 | 107,923 |
| 4,388,134 | 142,705 | - | 20,561 | 128,314 | - | 1,214 | - |
| - | - | - | - | - | - | - | - |
| 69,918 | - | - | - | 27,354 | 1,761,667 | 28,000 | 35,546 |
| 162,126 | - | - | - | 3,669 | - | - | 72,377 |
| - | - | - | - | - | 69,443 | 629 | - |
| 785,968 | - | - | - | 137,644 | - | - | - |
| 76,229 | 24,823 | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | 9,635,255 | - | - | - | - | - |
| 11,193 | - | - | - | - | - | - | - |
| - | - | - | - | - | 27,116 | - | - |
| - | - | 1,154,407 | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 5,493,568 | 167,528 | 10,789,662 | 20,561 | 296,981 | 1,858,226 | 29,843 | 107,923 |
| - | - | (322,610) | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | 11,748 | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | 11,748 | - | - | - | - | - |
| - | - | (310,862) | - | - | - | - | - |
| - | - | 3,710,497 | - | - | - | - | - |
| \$ - | \$ - | \$ 3,399,635 | \$ - | \$ - | \$ - | \$ - | \$ - |

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2007

| Data Control Codes | | 263 Title III, A English Lang. Acquisition | 269 Title V, Pt.A Innovative Programs | 272 Medicaid Admin. Claim MAC | 280 Texas Classroom Supply Grant |
|---------------------------------|---|---|--|--|---|
| REVENUES: | | | | | |
| 5700 | Total Local and Intermediate Sources | \$ - | \$ - | \$ - | \$ - |
| 5800 | State Program Revenues | - | - | - | - |
| 5900 | Federal Program Revenues | 361,370 | 37,100 | 45,103 | 49,590 |
| 5020 | Total Revenues | 361,370 | 37,100 | 45,103 | 49,590 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| 0011 | Instruction | 306,590 | - | - | 48,672 |
| 0012 | Instructional Resources and Media Services | - | - | - | 918 |
| 0013 | Curriculum and Instructional Staff Development | 28,165 | - | - | - |
| 0021 | Instructional Leadership | 9,396 | 37,100 | - | - |
| 0023 | School Leadership | 1,655 | - | - | - |
| 0031 | Guidance, Counseling and Evaluation Services | 15,564 | - | - | - |
| 0033 | Health Services | - | - | 45,103 | - |
| 0034 | Student (Pupil) Transportation | - | - | - | - |
| 0035 | Food Services | - | - | - | - |
| 0036 | Cocurricular/Extracurricular Activities | - | - | - | - |
| 0041 | General Administration | - | - | - | - |
| 0051 | Facilities Maintenance and Operations | - | - | - | - |
| 0061 | Community Services | - | - | - | - |
| Debt Service: | | | | | |
| 0071 | Debt Service - Principal on Long Term Debt | - | - | - | - |
| 0072 | Debt Service - Interest on Long Term Debt | - | - | - | - |
| 0073 | Debt Service - Bond Issuance Cost and Fees | - | - | - | - |
| Capital Outlay: | | | | | |
| 0081 | Facilities Acquisition and Construction | - | - | - | - |
| 6030 | Total Expenditures | 361,370 | 37,100 | 45,103 | 49,590 |
| 1100 | Excess (Deficiency) of Revenues Over (Under) Expenditures | - | - | - | - |
| OTHER FINANCING SOURCES (USES): | | | | | |
| 7911 | Capital Related Debt Issued (Regular Bonds) | - | - | - | - |
| 7912 | Sale of Real and Personal Property | - | - | - | - |
| 7915 | Transfers In | - | - | - | - |
| 7916 | Premium or Discount on Issuance of Bonds | - | - | - | - |
| 8949 | Other (Uses) | - | - | - | - |
| 7080 | Total Other Financing Sources (Uses) | - | - | - | - |
| 1200 | Net Change in Fund Balance | - | - | - | - |
| 0100 | Fund Balance - September 1 (Beginning) | - | - | - | - |
| 3000 | Fund Balance - August 31 (Ending) | \$ - | \$ - | \$ - | \$ - |

[illegible]

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2007

| Data Control Codes | | 404 Student Success Init. ARI/AMI | 411 Technology Allotment | 421 Master Reading Teacher | 426 TX Educator Excellence Award Program |
|---------------------------------|---|--|--------------------------------|-------------------------------------|---|
| REVENUES: | | | | | |
| 5700 | Total Local and Intermediate Sources | \$ - | \$ - | \$ - | \$ - |
| 5800 | State Program Revenues | 710,205 | 664,906 | 35,001 | 570,004 |
| 5900 | Federal Program Revenues | - | - | - | - |
| 5020 | Total Revenues | 710,205 | 664,906 | 35,001 | 570,004 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| 0011 | Instruction | 709,022 | 330,600 | 35,001 | 490,523 |
| 0012 | Instructional Resources and Media Services | - | 334,306 | - | 10,052 |
| 0013 | Curriculum and Instructional Staff Development | - | - | - | 4,107 |
| 0021 | Instructional Leadership | - | - | - | - |
| 0023 | School Leadership | - | - | - | 49,280 |
| 0031 | Guidance, Counseling and Evaluation Services | - | - | - | 4,378 |
| 0033 | Health Services | - | - | - | 4,397 |
| 0034 | Student (Pupil) Transportation | 1,183 | - | - | - |
| 0035 | Food Services | - | - | - | - |
| 0036 | Cocurricular/Extracurricular Activities | - | - | - | - |
| 0041 | General Administration | - | - | - | - |
| 0051 | Facilities Maintenance and Operations | - | - | - | 7,267 |
| 0061 | Community Services | - | - | - | - |
| Debt Service: | | | | | |
| 0071 | Debt Service - Principal on Long Term Debt | - | - | - | - |
| 0072 | Debt Service - Interest on Long Term Debt | - | - | - | - |
| 0073 | Debt Service - Bond Issuance Cost and Fees | - | - | - | - |
| Capital Outlay: | | | | | |
| 0081 | Facilities Acquisition and Construction | - | - | - | - |
| 6030 | Total Expenditures | 710,205 | 664,906 | 35,001 | 570,004 |
| 1100 | Excess (Deficiency) of Revenues Over (Under) Expenditures | - | - | - | - |
| OTHER FINANCING SOURCES (USES): | | | | | |
| 7911 | Capital Related Debt Issued (Regular Bonds) | - | - | - | - |
| 7912 | Sale of Real and Personal Property | - | - | - | - |
| 7915 | Transfers In | - | - | - | - |
| 7916 | Premium or Discount on Issuance of Bonds | - | - | - | - |
| 8949 | Other (Uses) | - | - | - | - |
| 7080 | Total Other Financing Sources (Uses) | - | - | - | - |
| 1200 | Net Change in Fund Balance | - | - | - | - |
| 0100 | Fund Balance - September 1 (Beginning) | - | - | - | - |
| 3000 | Fund Balance - August 31 (Ending) | \$ - | \$ - | \$ - | \$ - |

| 428 High School Allotment | 435 SSA Regional Day School - Deaf | 488 Teacher of the Year Program | 490 Barbara Jordan Trust | 491 OHS Scholarship Fund | 496 School Clinic | Total Nonmajor Special Revenue Funds | 511 Debt Service Fund |
|------------------------------------|---|--|-----------------------------------|-----------------------------------|-------------------------|---|--------------------------------|
| \$ - | \$ 94,748 | \$ 100,000 | \$ 5,836 | \$ 1,899 | \$ 5,959 | \$ 3,398,190 | \$ 5,500,201 |
| 1,254,551 | 349,064 | - | - | - | - | 4,000,503 | 1,993,378 |
| - | - | - | - | - | - | 23,677,397 | - |
| 1,254,551 | 443,812 | 100,000 | 5,836 | 1,899 | 5,959 | 31,076,090 | 7,493,579 |
| 834,523 | 540,434 | 100,000 | - | - | - | 15,766,904 | - |
| - | - | - | - | - | - | 345,276 | - |
| 170,821 | 700 | - | - | - | - | 2,286,329 | - |
| 7,558 | - | - | - | - | - | 413,278 | - |
| 3,265 | 84,399 | - | - | - | - | 208,671 | - |
| 238,384 | 55,275 | - | - | - | - | 1,411,619 | - |
| - | - | - | - | - | 5,959 | 166,830 | - |
| - | - | - | - | - | - | 3,612 | - |
| - | - | - | - | - | - | 9,635,255 | - |
| - | - | - | - | - | - | 11,193 | - |
| - | 7,771 | - | - | - | - | 34,887 | - |
| - | - | - | - | - | - | 1,161,674 | - |
| - | - | - | - | - | - | 190,204 | - |
| - | - | - | - | - | - | - | 3,801,299 |
| - | - | - | - | - | - | - | 3,577,087 |
| - | - | - | - | - | - | - | 554,998 |
| - | - | - | - | - | - | - | - |
| 1,254,551 | 688,579 | 100,000 | - | - | 5,959 | 31,635,732 | 7,933,384 |
| - | (244,767) | - | 5,836 | 1,899 | - | (559,642) | (439,805) |
| - | - | - | - | - | - | - | 56,380,113 |
| - | - | - | - | - | - | 11,748 | - |
| - | 244,767 | - | - | - | - | 244,767 | - |
| - | - | - | - | - | - | - | 4,594,203 |
| - | - | - | - | - | - | - | (60,412,845) |
| - | 244,767 | - | - | - | - | 256,515 | 561,471 |
| - | - | - | 5,836 | 1,899 | - | (303,127) | 121,666 |
| - | - | - | 109,360 | - | - | 3,819,857 | 3,890,786 |
| \$ - | \$ - | \$ - | \$ 115,196 | \$ 1,899 | \$ - | \$ 3,516,730 | \$ 4,012,452 |

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2007

| Data Control Codes | | 665 Building Grounds Improvements | Total Nonmajor Governmental Funds |
|--------------------------|--|--|--|
| | | | |
| | REVENUES: | | |
| 5700 | Total Local and Intermediate Sources | \$ - | \$ 8,898,391 |
| 5800 | State Program Revenues | - | 5,993,881 |
| 5900 | Federal Program Revenues | - | 23,677,397 |
| 5020 | Total Revenues | - | 38,569,669 |
| | EXPENDITURES: | | |
| | Current: | | |
| 0011 | Instruction | - | 15,766,904 |
| 0012 | Instructional Resources and Media Services | - | 345,276 |
| 0013 | Curriculum and Instructional Staff Development | - | 2,286,329 |
| 0021 | Instructional Leadership | - | 413,278 |
| 0023 | School Leadership | - | 208,671 |
| 0031 | Guidance, Counseling and Evaluation Services | - | 1,411,619 |
| 0033 | Health Services | - | 166,830 |
| 0034 | Student (Pupil) Transportation | - | 3,612 |
| 0035 | Food Services | - | 9,635,255 |
| 0036 | Cocurricular/Extracurricular Activities | - | 11,193 |
| 0041 | General Administration | - | 34,887 |
| 0051 | Facilities Maintenance and Operations | 163,923 | 1,325,597 |
| 0061 | Community Services | - | 190,204 |
| | Debt Service: | | |
| 0071 | Debt Service - Principal on Long Term Debt | - | 3,801,299 |
| 0072 | Debt Service - Interest on Long Term Debt | - | 3,577,087 |
| 0073 | Debt Service - Bond Issuance Cost and Fees | - | 554,998 |
| | Capital Outlay: | | |
| 0081 | Facilities Acquisition and Construction | 650,451 | 650,451 |
| 6030 | Total Expenditures | 814,374 | 40,383,490 |
| 1100 | Excess (Deficiency) of Revenues Over (Under) Expenditures | (814,374) | (1,813,821) |
| | OTHER FINANCING SOURCES (USES): | | |
| 7911 | Capital Related Debt Issued (Regular Bonds) | - | 56,380,113 |
| 7912 | Sale of Real and Personal Property | - | 11,748 |
| 7915 | Transfers In | - | 244,767 |
| 7916 | Premium or Discount on Issuance of Bonds | - | 4,594,203 |
| 8949 | Other (Uses) | - | (60,412,845) |
| 7080 | Total Other Financing Sources (Uses) | - | 817,986 |
| 1200 | Net Change in Fund Balance | (814,374) | (995,835) |
| 0100 | Fund Balance - September 1 (Beginning) | 4,619,174 | 12,329,817 |
| 3000 | Fund Balance - August 31 (Ending) | \$ 3,804,800 | \$ 11,333,982 |

COMBINING SCHEDULES - INTERNAL SERVICE FUNDS

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ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
AUGUST 31, 2007

| | 771 Worker's Compensation Fund | 772 Medical Trust Fund | Total Internal Service Funds |
|--|---|---------------------------------|------------------------------------|
| ASSETS | | | |
| Current Assets: | | | |
| Cash and Cash Equivalents | \$ 166,399 | \$ 671,261 | \$ 837,660 |
| Investments - Current | 7,832,325 | 6,536,352 | 14,368,677 |
| Total Assets | 7,998,724 | 7,207,613 | 15,206,337 |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts Payable | - | 323,635 | 323,635 |
| Due to Other Funds | 49,207 | 1,214 | 50,421 |
| Accrued Expenses | 987,929 | 1,875,405 | 2,863,334 |
| Deferred Revenues | - | 1,176,353 | 1,176,353 |
| Total Current Liabilities | 1,037,136 | 3,376,607 | 4,413,743 |
| NonCurrent Liabilities: | | | |
| Other Long-Term Debt - Due in More than One Year | 3,302,997 | - | 3,302,997 |
| Total Noncurrent Liabilities | 3,302,997 | - | 3,302,997 |
| Total Liabilities | 4,340,133 | 3,376,607 | 7,716,740 |
| NET ASSETS | | | |
| Unrestricted Net Assets | 3,658,591 | 3,831,006 | 7,489,597 |
| Total Net Assets | \$ 3,658,591 | \$ 3,831,006 | \$ 7,489,597 |

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2007

| | 771 Worker's Compensation Fund | 772 Medical Trust Fund | Total Internal Service Funds |
|--|---|---------------------------------|------------------------------------|
| OPERATING REVENUES: | | | |
| Employee and Employer Premiums | \$ 1,479,956 | \$ 14,289,179 | \$ 15,769,135 |
| Stop Loss Reimbursement | 12,466 | 105,124 | 117,590 |
| Other | - | 185,418 | 185,418 |
| Total Operating Revenues | 1,492,422 | 14,579,721 | 16,072,143 |
| OPERATING EXPENSES: | | | |
| Claims and Prescriptions | 594,469 | 11,843,153 | 12,437,622 |
| Other Operating Costs | 158,978 | 1,658,864 | 1,817,842 |
| Total Operating Expenses | 753,447 | 13,502,017 | 14,255,464 |
| Operating Income | 738,975 | 1,077,704 | 1,816,679 |
| NONOPERATING REVENUES (EXPENSES): | | | |
| Earnings from Temporary Deposits & Investments | 369,182 | 348,516 | 717,698 |
| Total Nonoperating Revenues (Expenses) | 369,182 | 348,516 | 717,698 |
| Change in Net Assets | 1,108,157 | 1,426,220 | 2,534,377 |
| Total Net Assets - September 1 (Beginning) | 2,550,434 | 2,404,786 | 4,955,220 |
| Total Net Assets - August 31 (Ending) | \$ 3,658,591 | \$ 3,831,006 | \$ 7,489,597 |

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2007

| | 771 Worker's Compensation Fund | 772 Medical Trust Fund | Total Internal Service Funds |
|---|---|---------------------------------|------------------------------------|
| <u>Cash Flows from Operating Activities:</u> | | | |
| Cash Received from Employees and Employer | \$ 2,164,957 | \$ 14,452,842 | \$ 16,617,799 |
| Cash Received from Stop Loss Carrier | 12,466 | 105,124 | 117,590 |
| Cash Payments for Claims | (896,091) | (12,382,849) | (13,278,940) |
| Other Payments | (158,978) | (1,656,203) | (1,815,181) |
| Net Cash Provided by Operating Activities | <u>1,122,354</u> | <u>518,914</u> | <u>1,641,268</u> |
| <u>Cash Flows from Investing Activities:</u> | | | |
| Interest on Investments | <u>369,182</u> | <u>348,516</u> | <u>717,698</u> |
| Net Increase in Cash and Cash Equivalents | 1,491,536 | 867,430 | 2,358,966 |
| Cash and Cash Equivalents at Beginning of the Year: | <u>6,507,188</u> | <u>6,340,183</u> | <u>12,847,371</u> |
| Cash and Cash Equivalents at the End of the Year: | <u>\$ 7,998,724</u> | <u>\$ 7,207,613</u> | <u>\$ 15,206,337</u> |
| <u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u> | | | |
| Operating Income: | \$ 738,975 | \$ 1,077,704 | \$ 1,816,679 |
| Effect of Increases and Decreases in Current Assets and Liabilities: | | | |
| Decrease in Due From Other Funds | 635,794 | - | 635,794 |
| Increase in Accounts Payable | - | 2,661 | 2,661 |
| Increase (decrease) in Due To Other Funds | 49,207 | (31,260) | 17,947 |
| (Decrease) in Accrued Expenses | (301,622) | (539,696) | (841,318) |
| Increase in Deferred Revenue | <u>-</u> | <u>9,505</u> | <u>9,505</u> |
| Net Cash Provided by Operating Activities | <u>\$ 1,122,354</u> | <u>\$ 518,914</u> | <u>\$ 1,641,268</u> |

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REQUIRED TEA SCHEDULES

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2007

| Last 10 Years Ended August 31 | (1) | (2) | (3) |
|----------------------------------|-------------|--------------|--|
| | Tax Rates | | Assessed/Appraised Value for School Tax Purposes |
| | Maintenance | Debt Service | |
| 1998 and prior years | \$ 1.337300 | \$ 0.080500 | \$ 3,607,266,000 |
| 1999 | 1.457300 | 0.080500 | 3,584,917,000 |
| 2000 | 1.500000 | 0.036000 | 3,554,836,000 |
| 2001 | 1.500000 | 0.036000 | 3,710,500,000 |
| 2002 | 1.497100 | 0.028900 | 4,451,737,000 |
| 2003 | 1.500000 | 0.057000 | 4,406,544,000 |
| 2004 | 1.500000 | 0.061000 | 4,328,452,000 |
| 2005 | 1.450000 | 0.069200 | 4,813,258,000 |
| 2006 | 1.400000 | 0.072500 | 5,509,142,000 |
| 2007 (School year under audit) | 1.280000 | 0.080000 | 6,569,269,000 |
| 1000 TOTALS | | | |

| (10) Beginning Balance 9/1/2006 | (20) Current Year's Total Levy | (31) Maintenance Collections | (32) Debt Service Collections | (40) Entire Year's Adjustments | (50) Ending Balance 8/31/2007 |
|--|---|------------------------------------|-------------------------------------|---|--|
| \$ 1,647,737 | \$ - | \$ 40,210 | \$ 26,293 | \$ (196,123) | \$ 1,385,111 |
| 298,628 | - | 19,446 | 1,074 | (2,631) | 275,477 |
| 381,125 | - | 26,457 | 635 | (1,107) | 352,926 |
| 540,508 | - | 57,902 | 1,390 | (56,221) | 424,995 |
| 624,789 | - | 86,419 | 1,668 | 2,936 | 539,638 |
| 848,931 | - | 151,992 | 5,776 | (50,174) | 640,989 |
| 962,991 | - | 196,783 | 8,002 | 1,507 | 759,713 |
| 1,243,553 | - | 339,482 | 16,201 | 7,696 | 895,566 |
| 1,193,661 | - | 601,209 | 31,134 | 533,949 | 1,095,267 |
| - | 89,342,053 | 80,629,902 | 5,037,189 | (1,894,823) | 1,780,139 |
| <u>\$ 7,741,923</u> | <u>\$ 89,342,053</u> | <u>\$ 82,149,802</u> | <u>\$ 5,129,362</u> | <u>\$ (1,654,991)</u> | <u>\$ 8,149,821</u> |

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2008-2009
 GENERAL AND SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2007

FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION

| Account Number | Account Name | 1 (702) School Board | 2 (703) Tax Collections | 3 (701) Supt's Office | 4 (750) Indirect Cost | 5 (720) Direct Cost | 6 (other) Miscellaneous | 7 Total |
|----------------|--|----------------------------|-------------------------------|-----------------------------|-----------------------------|---------------------------|-------------------------------|--------------|
| 611X-6146 | PAYROLL COSTS | \$ - | \$ - | \$ 312,006 | \$ 3,194,081 | \$ 601,890 | \$ - | \$ 4,107,977 |
| 6149 | Leave for Separating Employees in Fn 41 & 53 | - | - | - | 49,819 | - | - | 49,819 |
| 6149 | Leave - Separating Employees not in 41 & 53 | - | - | - | 652,917 | - | - | 652,917 |
| 6211 | Legal Services | 302,788 | - | - | - | - | - | 302,788 |
| 6212 | Audit Services | - | - | - | 90,831 | - | - | 90,831 |
| 6213 | Tax Appraisal and Collection | - | 1,149,178 | - | - | - | - | 1,149,178 |
| 621X | Other Professional Services | - | - | 350 | 147,319 | 13,154 | - | 160,823 |
| 6220 | Tuition and Transfer Payments | - | - | - | - | - | - | - |
| 6230 | Education Service Centers | - | - | - | 236,319 | 236,319 | - | 472,638 |
| 6240 | Contr. Maint. and Repair | - | - | - | - | 3,959 | - | 3,959 |
| 6250 | Utilities | - | - | - | - | - | - | - |
| 6260 | Rentals | - | - | - | 156,236 | 37,252 | - | 193,488 |
| 6290 | Miscellaneous Contr. | - | - | - | 35,678 | 7,416 | - | 43,094 |
| 6320 | Textbooks and Reading | - | - | 1,686 | 1,286 | - | - | 2,972 |
| 6330 | Testing Materials | - | - | - | - | - | - | - |
| 63XX | Other Supplies Materials | 1,694 | - | 19,175 | 85,200 | 34,981 | - | 141,050 |
| 6410 | Travel, Subsistence, Stipends | 27,242 | - | 13,356 | 65,736 | 14,440 | - | 120,774 |
| 6420 | Ins. and Bonding Costs | - | - | - | - | - | - | - |
| 6430 | Election Costs | - | - | - | - | - | - | - |
| 6490 | Miscellaneous Operating | 12,509 | - | 36,946 | 117,148 | 12,655 | - | 179,258 |
| 6500 | Debt Service | - | - | - | - | - | - | - |
| 6600 | Capital Outlay | - | - | - | - | - | - | - |
| 6000 | TOTAL | \$ 344,233 | \$ 1,149,178 | \$ 383,519 | \$ 4,832,570 | \$ 962,066 | \$ - | \$ 7,671,566 |

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 189,831,822

LESS: Deductions of Unallowable Costs

FISCAL YEAR

| | |
|--|-------------------|
| Total Capital Outlay (6600) | (10) \$ 1,874,372 |
| Total Debt & Lease(6500) | (11) - |
| Plant Maintenance (Function 51, 6100-6400) | (12) 19,811,488 |
| Food (Function 35, 6341 and 6499) | (13) 4,413,526 |
| Stipends (6413) | (14) - |
| Column 4 (above) - Total Indirect Cost | 4,832,570 |

SubTotal:

30,931,956

Net Allowed Direct Cost

\$ 158,899,866

CUMULATIVE

| | |
|---|---------------------|
| Total Cost of Buildings before Depreciation (1520) | (15) \$ 223,628,924 |
| Historical Cost of Building over 50 years old | (16) \$ 43,595,694 |
| Amount of Federal Money in Building Cost (Net of #16) | (17) \$ - |
| Total Cost of Furniture & Equipment before Depreciation (1530 & 1540) | (18) \$ 20,505,402 |
| Historical Cost of Furniture & Equipment over 16 years old | (19) \$ 1,615,036 |
| Amount of Federal Money in Furniture & Equipment (Net of #19) | (20) \$ 1,255,365 |

(8) NOTE A: \$1,362,872 in Function 53 expenditures are included in this report on administrative costs.

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
GENERAL FUND AS OF AUGUST 31, 2007

UNAUDITED

| | | | | |
|----|---|----|------------|---------------------------|
| 1 | Total General Fund Balance as of 8/31/07 (Exhibit C-1 object 3000 for the General Fund Only) | | \$ | 55,669,427 |
| 2 | Total Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund Only) | \$ | 6,326,775 | |
| 3 | Total Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund Only) | | 24,485,593 | |
| 4 | Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.) | | - | |
| 5 | Estimate of one month's average cash disbursements during the regular school session (9/1/07-5/31/08). | | 18,633,230 | |
| 6 | Estimate of delayed payments from state sources (58xx) including August payment delays | | 12,853,247 | |
| 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) | | 1,000,000 | |
| 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>63,298,845</u> |
| 11 | Excess (Deficit) Undesignated Unreserved General Fund Balance (Line 1 minus Line 10) | | \$ | <u><u>(7,629,418)</u></u> |

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2007

| Data Control Codes | Budgeted Amounts | | Actual Amounts (GAAP BASIS) | Variance With Final Budget Positive or (Negative) |
|--|------------------|--------------|-----------------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| 5700 Total Local and Intermediate Sources | \$ 2,916,648 | \$ 2,907,819 | \$ 3,189,748 | \$ 281,929 |
| 5800 State Program Revenues | 283,966 | 281,207 | 275,034 | (6,173) |
| 5900 Federal Program Revenues | 7,695,450 | 7,695,450 | 7,002,270 | (693,180) |
| 5020 Total Revenues | 10,896,064 | 10,884,476 | 10,467,052 | (417,424) |
| EXPENDITURES: | | | | |
| 0035 Food Services | 9,558,831 | 10,095,194 | 9,635,255 | 459,939 |
| 0051 Facilities Maintenance and Operations | 1,338,233 | 1,289,795 | 1,154,407 | 135,388 |
| 6030 Total Expenditures | 10,897,064 | 11,384,989 | 10,789,662 | 595,327 |
| 1100 Excess (Deficiency) of Revenues Over (Under) Expenditures | (1,000) | (500,513) | (322,610) | 177,903 |
| OTHER FINANCING SOURCES (USES): | | | | |
| 7912 Sale of Real and Personal Property | 1,000 | 1,000 | 11,748 | 10,748 |
| 7080 Total Other Financing Sources (Uses) | 1,000 | 1,000 | 11,748 | 10,748 |
| 1200 Net Change in Fund Balances | - | (499,513) | (310,862) | 188,651 |
| 0100 Fund Balance - September 1 (Beginning) | 3,710,497 | 3,710,497 | 3,710,497 | - |
| 3000 Fund Balance - August 31 (Ending) | \$ 3,710,497 | \$ 3,210,984 | \$ 3,399,635 | \$ 188,651 |

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2007

| Data Control Codes | | Budgeted Amounts | | Actual Amounts (GAAP BASIS) | Variance With Final Budget Positive or (Negative) |
|---------------------------------|---|------------------|--------------|--------------------------------|--|
| | | Original | Final | | |
| REVENUES: | | | | | |
| 5700 | Total Local and Intermediate Sources | \$ 5,445,199 | \$ 5,585,199 | \$ 5,500,201 | \$ (84,998) |
| 5800 | State Program Revenues | 1,940,194 | 2,015,602 | 1,993,378 | (22,224) |
| 5020 | Total Revenues | 7,385,393 | 7,600,801 | 7,493,579 | (107,222) |
| EXPENDITURES: | | | | | |
| Debt Service: | | | | | |
| 0071 | Debt Service - Principal on Long Term Debt | 3,711,299 | 3,801,299 | 3,801,299 | - |
| 0072 | Debt Service - Interest on Long Term Debt | 3,669,094 | 3,813,863 | 3,577,087 | 236,776 |
| 0073 | Debt Service - Bond Issuance Cost and Fees | 5,000 | 578,000 | 554,998 | 23,002 |
| 6030 | Total Expenditures | 7,385,393 | 8,193,162 | 7,933,384 | 259,778 |
| 1100 | Excess (Deficiency) of Revenues Over (Under) Expenditures | - | (592,361) | (439,805) | 152,556 |
| OTHER FINANCING SOURCES (USES): | | | | | |
| 7911 | Capital Related Debt Issued (Regular Bonds) | - | 56,381,000 | 56,380,113 | (887) |
| 7916 | Premium or Discount on Issuance of Bonds | - | 4,596,000 | 4,594,203 | (1,797) |
| 8949 | Other (Uses) | - | (60,414,000) | (60,412,845) | 1,155 |
| 7080 | Total Other Financing Sources (Uses) | - | 563,000 | 561,471 | (1,529) |
| 1200 | Net Change in Fund Balances | - | (29,361) | 121,666 | 151,027 |
| 0100 | Fund Balance - September 1 (Beginning) | 3,890,786 | 3,890,786 | 3,890,786 | - |
| 3000 | Fund Balance - August 31 (Ending) | \$ 3,890,786 | \$ 3,861,425 | \$ 4,012,452 | \$ 151,027 |

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FEDERAL AWARDS SECTION

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JOHNSON MILLER & CO., CPA's PC

Certified Public Accountants

A Professional Corporation

An Independent Member Of BDO Seidman Alliance

Odessa, Texas
Midland, Texas
Hobbs, New Mexico

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENTAL AUDITING STANDARDS*

Independent Auditor's Report

Draft - For
Discussion
Purposes Only

Board of Trustees
Ector County Independent School District
802 N. Sam Houston
Odessa, Texas 79760

Members of the Board:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Ector County Independent School District (the District) as of and for the year ended August 31, 2007. These collectively comprise the District's basic financial statements. We have issued our report on them dated August 31, 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ector County 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 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 that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ector County Independent School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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*.

This report is intended for the information of the district's trustees, the audit committee, the administration, Texas Education Agency, 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.

[Signature]

[Date]

Draft - For
Discussion
Purposes Only



JOHNSON MILLER & CO., CPA's PC

Certified Public Accountants

A Professional Corporation

An Independent Member Of BDO Seidman Alliance

Odessa, Texas
Midland, Texas
Hobbs, New Mexico

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

Draft - For
Discussion
Purposes Only

Board of Trustees
802 N. Sam Houston
Odessa, Texas 79760

Members of the Board:

Compliance

We have audited the compliance of Ector County Independent School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended August 31, 2007. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Ector County Independent School District's administrators. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Ector County 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 August 31, 2007.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control the aggregate discretely presented component units does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and

Internal Control Over Compliance (Continued)

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.

Schedule of Expenditures of Federal Awards

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Ector County Independent School District as of and for the year ended August 31, 2007 and have issued our report thereon dated _____. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended for the information and use of the District's trustees, the audit committee, the administration, Texas Education Agency, 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.

[Signature]

[Date]

Draft - For
Discussion
Purposes Only

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONS COSTS
FOR THE YEAR ENDED AUGUST 31, 2007

Draft - For Discussion Purposes Only

Section I – Summary of the Auditor’s Results:

| | |
|---|-------------|
| Type of Auditor’s Report Issued | Unqualified |
| Internal control over financial reporting: | |
| Material weaknesses identified? | No |
| Reportable conditions identified that are not considered to be Material weaknesses? | No |
| Noncompliance material to financial statements noted? | No |

Federal Awards

| | |
|--|-------------|
| Internal control over major programs: | |
| Material weaknesses identified? | No |
| Reportable conditions identified that are not considered to be Material weaknesses? | No |
| Type of Auditor’s Report issued on compliance for major programs | Unqualified |
| Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | No |

Identification of Major Programs:

CFDA Numbers

| | |
|--|---|
| 84.010A | <u>Program Name</u> ESEA Title I, A Improving Basic Programs |
| 84.027 | Special Education Cluster |
| 84.173 | Idea B Formula |
| | Idea B Preschool |
| 10.553 | School Breakfast Program |
| 10.559 | Summer Food Service Program for Children |
| 10.555 | National School Lunch Program |
| 10.550 | Commodity Receipts |
| Dollar threshold used to distinguish between Type A and Type B programs: | \$724,596 |
| Auditee qualified as a low-risk auditee? | Yes |

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONS COSTS
FOR THE YEAR ENDED AUGUST 31, 2007

Draft - For
Discussion
Purposes Only

Section II – Financial Statement Findings

No matters were reported

Section III – Federal Award Findings and Questioned Costs

No

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2007

| (1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE | (2) Federal CFDA Number | (3) Pass-Through Entity Identifying Number | (4) Federal Expenditures |
|--|----------------------------------|---|--------------------------------|
| U.S. DEPARTMENT OF DEFENSE | | | |
| <u>Direct Programs</u> | | | |
| Junior Reserve Officer's Training Corps | 12.000 | 068901 | \$ 61,774 |
| Total Direct Programs | | | \$ 61,774 |
| TOTAL U.S. DEPARTMENT OF DEFENSE | | | \$ 61,774 |
| U.S. DEPARTMENT OF EDUCATION | | | |
| <u>Passed Through Region XX Education Service Center</u> | | | |
| Texas Classroom Supply Grant | 84.999 | 760000471220 | \$ 49,590 |
| Total Passed Through Region XX Education Service Center | | | \$ 49,590 |
| <u>Passed Through Texas Higher Education Coord Board</u> | | | |
| Vocational Education Technical Preparation | 84.243A | 068901 | \$ 20,561 |
| Total Passed Through Texas Higher Education Coord Board | | | \$ 20,561 |
| <u>Passed Through State Department of Education</u> | | | |
| ESEA, Title I, Part A - Improving Basic Programs | 84.010A | 07610101068901 | \$ 7,338,562 |
| ESEA, Title I, Part A - Improving Basic Programs | 84.010A | 08610101068901 | 595,025 |
| ESEA, Title I, Part D, Subpart 2 - Delinq. Programs | 84.010A | 07610103068901 | 43,581 |
| Total CFDA Number 84.010A | | | 7,977,168 |
| ESEA, Title I, Part C - Migratory Children | 84.011 | 07615001068901 | 137,822 |
| ESEA, Title I, Part C - Migratory Children | 84.011 | 08615001068901 | 8,123 |
| ESEA, Title I, Part C, Migrant Summer Program | 84.011 | 07615001068901 | 36,928 |
| Total CFDA Number 84.011 | | | 182,873 |
| IDEA - Part B, Formula | 84.027 | 076600010689016600 | 5,197,722 |
| IDEA - Part B, Formula | 84.027 | 086600010689016600 | 429,379 |
| SSA - IDEA - Part B, Discretionary | 84.027 | 076600020689016673 | 25,783 |
| SSA - IDEA - Part B, Deaf | 84.027 | 076600010689016601 | 23,139 |
| SSA - IDEA - Part B, Deaf | 84.027 | 086600010689016601 | 1,517 |
| Total CFDA Number 84.027 | | | 5,677,540 |
| Vocational Education - Basic Grant | 84.048 | 0742000606890118 | 279,206 |
| Vocational Education - Basic Grant | 84.048 | 08420006068901 | 24,736 |
| Total CFDA Number 84.048 | | | 303,942 |
| IDEA - Part B, Preschool | 84.173 | 076610010689016610 | 155,643 |
| IDEA - Part B, Preschool | 84.173 | 086610010689016610 | 14,628 |
| SSA - IDEA - Part B, Preschool Deaf | 84.173 | 076610010689016611 | 2,926 |
| Total CFDA Number 84.173 | | | 173,197 |
| SSA - IDEA, Part C - Early Intervention (Deaf) | 84.181A | 073911010689013911 | 1,097 |
| ESEA Title IV - Safe and Drug-Free Schools | 84.186A | 07691001068901 | 128,799 |
| ESEA Title IV - Safe and Drug-Free Schools | 84.186A | 08691001068901 | 49,235 |
| Total CFDA Number 84.186A | | | 178,034 |
| Title V, Part A - Innovative Programs | 84.298 | 07685001068901 | 38,603 |
| Title II, Part D - Enhancing Ed. Through Technology | 84.318 | 07630001068901 | 110,556 |
| ESEA Title I, F Improving Teaching | 84.332A | 066160037110039 | 30,571 |
| Title III, Part A - English Language Acquisition | 84.365A | 07671001068901 | 364,442 |
| Title III, Part A - English Language Acquisition | 84.365A | 08671001068901 | 5,742 |
| Total CFDA Number 84.365A | | | 370,184 |
| ESEA, Title II, Part A, Teacher/Principal Training | 84.367A | 07694501068901 | 1,277,901 |
| ESEA, Title II, Part A, Teacher/Principal Training | 84.367A | 08694501068901 | 611,378 |

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2007

| (1) | (2) | (3) | (4) |
|---|---------------------------|--|-------------------------|
| FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE | Federal CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures |
| Total CFDA Number 84.367A | | | 1,889,279 |
| ESEA Title VI, Part A, Summer School LEP | 84.369A | 69550402 | \$ 4,919 |
| Total Passed Through State Department of Education | | | \$ 16,937,963 |
| TOTAL DEPARTMENT OF EDUCATION | | | \$ 17,008,114 |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | |
| <u>Passed Through Texas Dept of State Health Services</u> | | | |
| Abstinence Education Program | 93.235 | 17560013629007 | \$ 10,319 |
| Total Passed Through Texas Dept of State Health Services | | | \$ 10,319 |
| <u>Passed Through Texas Workforce Commission</u> | | | |
| Federal Child Care Tuition | 93.556 | 09030C02FY07 | \$ 25,624 |
| Total Passed Through Texas Workforce Commission | | | \$ 25,624 |
| <u>Passed Through Texas Health & Human Svc Commission</u> | | | |
| Medicaid Administrative Claiming Program | 93.778 | 068901 | \$ 45,103 |
| Total Passed Through Texas Health & Human Svc Commission | | | \$ 45,103 |
| TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | \$ 81,046 |
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| <u>Passed Through Texas Health & Human Svc Commission</u> | | | |
| Summer Food Service Program for Children | 10.559 | 068901 | \$ 40,553 |
| Total Passed Through Texas Health & Human Svc Commission | | | \$ 40,553 |
| <u>Passed Through the State Department of Agriculture</u> | | | |
| Commodity Receipts | 10.550 | 068901 | \$ 592,368 |
| National School Lunch Program | 10.555 | 068901 | 4,118,318 |
| School Breakfast Program | 10.553 | 068901 | 2,251,031 |
| Total Passed Through the State Department of Agriculture | | | \$ 6,961,717 |
| TOTAL DEPARTMENT OF AGRICULTURE | | | \$ 7,002,270 |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | \$ 24,153,204 |

ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2007

1) General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal financial assistance programs of the Ector County Independent School District, Odessa, Texas (the District). The District reporting entity is defined in note I. A. of the notes to the District's general purpose financial statements. Federal financial assistance received directly from Federal agencies as well as Federal financial assistance passed through other government agencies is included in the exhibit.

2) Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting that is described in note I.C. of the notes to the District's general purpose financial statements.

Indirect costs shown on the Schedule of Expenditures of Federal Awards are properly credited as revenues to the General Fund. These indirect cost revenues were determined by applying approved indirect cost rates to actual applicable expenditures of the projects.

3) Relationship to General Purpose Financial Statements

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

| | | |
|---------|----------------------------|----------------------|
| 100-199 | General Fund | \$ 1,965,227 |
| 200-499 | Special Revenue Funds | <u>23,677,397</u> |
| | | 25,642,624 |
| | Less: SHARS Revenue | <u>(1,489,420)</u> |
| | Schedule of Federal Awards | \$ <u>24,153,204</u> |

4) Relationship to Federal Financial Reports

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

5) Commodity Inventories

Inventories of commodities donated by the Federal government are stated at the prevailing market value at the date of receipt as determined by the United States Department of Agriculture. The cost of inventory is recorded as expenditure at the time individual inventory items are consumed (consumption method). Commodity inventories on hand at August 31, 2007 totaled \$284,547.