

Annual Financial Report

Fiscal Year Ended
August 31, 2006



Mansfield Independent School District
605 E. Broad St.
Mansfield, TX 76063
817.299.6300
www.mansfieldisd.org

ANNUAL FINANCIAL REPORT

of the

**MANSFIELD
INDEPENDENT SCHOOL
DISTRICT**

for the

FISCAL YEAR ENDED AUGUST 31, 2006

PREPARED BY

FINANCE DEPARTMENT

**605 East Broad Street
Mansfield, Texas 76063
(817) 299-6300
www.mansfieldisd.org**

**Mansfield Independent School District
Annual Financial Report
Year Ended August 31, 2006
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Note: TEA Exhibit "F" - Combining Statements for Major Component Units is not applicable to the District.

Introductory Section



January 16, 2007

To the Board of Trustees and the Citizens of Mansfield Independent School District:

The Annual Financial Report of the Mansfield Independent School District is hereby submitted. This report has been prepared to provide the Board of Trustees, representatives of financial institutions, the citizenry, and other interested parties information concerning the financial condition of the District. The government-wide financial statements in this report provide an overview of the District's governmental activities, while detailed fund financial statements describe specific activities of each fund used in accounting for the District's financial transactions. This report was prepared by the District's Finance Department in accordance with generally accepted accounting principles and reporting standards as promulgated by the Governmental Accounting Standards Board ("GASB").

Responsibility for the accuracy, completeness, and fairness of the presentation and its disclosures rests with the District. To the best of our knowledge and belief, the enclosed information is accurate in all its material respects. This data is reported in a manner designed to fairly present the financial and operational results of the District as measured by financial activities of its various funds. Disclosures necessary to enable the reader to gain understanding of such financial operations have been included.

The Annual Financial Report is presented here in four sections: 1) introductory, 2) financial, 3) statistical, and 4) federal awards. The introductory section includes this transmittal letter, the Certificate of Board, and lists of Board members and administrative staff. The financial section includes the basic financial statements, the required supplementary information, combining and individual fund statements and schedules, and other supplementary information. Also included in the financial section is the independent auditors' report on these financial statements and Management's Discussion and Analysis. Reference should be made to Management's Discussion and Analysis for additional information regarding the District's financial operations. The statistical section consists of unaudited tables which reflect both financial and demographic data. This information is for the purpose of presenting social and economic information, financial trends and fiscal capacity of the District, and is generally presented on a multi-year basis.

The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and the United States Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Information related to this single audit, including the schedule of expenditures of federal awards, findings and questioned costs, and the independent auditors' reports on compliance and internal control over financial reporting and compliance with requirements applicable to each major program and internal control over compliance, are included in the federal awards section.

This report includes all funds of the District. The District is a public school system offering a full prekindergarten through grade twelve educational opportunity for eligible residents within its geographic boundaries. All activities over which the District Board of Trustees exercises authority and/or oversees responsibilities are included.

GENERAL INFORMATION

Mansfield Independent School District was established in 1909 and encompasses approximately 81 square miles in Tarrant County and 14 square miles in Johnson County. The District is governed by a seven member Board of Trustees who serve staggered three-year terms with elections held in May of each year. All candidates must be qualified voters and residents of the District.

Monthly meetings of the Board are posted and advertised as prescribed under state law so that the Board may meet to fulfill its charge to the students, parents, staff, and taxpayers of the District. Special meetings or study sessions are scheduled as needed.

The Board has final control over all school matters except as limited by state law, the courts, and the will of its citizenry as expressed in elections. The Board's responsibilities are generally: to set policy for the District, to ensure efficient operations, to select and evaluate the Superintendent of Schools, to adopt an annual budget and its supporting tax rate, and to foster good community relations and communications.

The District provides a well-rounded program of public education from prekindergarten through grade twelve. All schools within the District are fully accredited by the Texas Education Agency. In order to serve its current enrollment of 27,989 students (as of November 2006), the District provides regular, special education, vocational, gifted/talented, and bilingual/ESL curriculums. A broad range of elective, and extracurricular programs are also evidenced. Finally, service departments of the District ensure that student needs for transportation, nutrition, guidance, counseling, and facilities maintenance are addressed.

ECONOMIC CONDITION AND OUTLOOK

In recent years, the District's tax base has continued to increase at a higher level than some adjoining areas which have seen smaller or level property values. This is a direct result of new housing construction and not being dependent upon any one major industry. The increased emphasis by the City of Mansfield to enhance their economic development efforts should continue this trend. From 2004-2005 to 2005-2006, there was a 10.5% increase in the District's appraisal roll of assessed values. In addition, like other Texas school districts, the District is concerned with the financial impact of the changing methods of allocation of state education funds. In 1990, the method of allocation of state education funds to school districts in Texas was determined to be unconstitutional by the Texas Supreme Court. In 1991, the Texas State Legislature developed a new funding methodology. In accordance with the new funding methodology, a new taxing entity (County Education District) was established by the State of Texas with the stated purpose to collect local property taxes and redistribute the taxes among the school districts within the county. Subsequently, the legislation which created county education districts ("CED's"), Texas House Bill 351, was declared unconstitutional by the Texas Supreme Court.

In May 1993, the Texas Legislature enacted Senate Bill 7 ("S.B. 7") which abolished CED's effective as of September 1, 1993. On September 1, 1993, the remaining assets and liabilities of the CED's were transferred to the successors-in-interest of the CED's. The Fort Worth School District was designated successor-in-interest to the former Tarrant County Education District. Legislation has since been passed abolishing the successor-in-interest. Each District now collects and retains its own CED taxes. Also established was a mechanism by which school districts determined to be "property-rich" by the Texas Commissioner of Education would be required to select from among five alternatives which would effectively transfer revenues from the "property rich" district to one or more "property-poor" districts. In its January 30, 1995 ruling the Texas Supreme Court upheld the constitutionality of the finance system, as implemented by the State legislature through its enactment of S.B. 7 in 1993. On November 22, 2005, the Texas Supreme Court ruled that the current school finance system violates the Texas Constitution because its operation constitutes a statewide property tax. The Court directed the State legislature to enact a new funding system by June 1, 2006 and provided an injunction against the funding of Texas public schools if the legislature failed to enact a funding system by that date. The 79th Legislature in a third special session approved legislation in May 2006, for the funding of Texas school districts effective for the 2006-2007 school year.

The emphasis of this legislation was to relieve the tax burden of local property owners with regards to school district tax levies.

With the implementation of the Instructional Facilities Allotment ("IFA") funding by the 1997 Legislative session the District benefited from this funding on several debt issues. This funding, in addition to the Existing Debt Allotment (Tier III) passed during the 1999 Legislative session, has helped the District to continue to issue debt for needed facilities while maintaining a debt tax rate well below the legally mandated fifty cents limit.

The District is constantly planning ways to address sustained educational quality and improvement within the constraints of available revenues. Even with projected growth, the District is confidently committed to serving its students, parents, and taxpayers with the best possible educational opportunities for the youth of the area within the available funding.

ACCOMPLISHMENTS AND INITIATIVES

For the Year Ended August 31, 2006 the following are summaries of some of the District's achievements for the 2005-2006 school year:

- The Mansfield Independent School District [MISD] is currently one of the fastest growing school districts in the State with more than 27,800 students.
- The MISD School Board was named first in the nation in the 2006 Digital School Boards Survey by the Center for Digital Education.
- MISD launched eSembler, an online grading program. The eSembler program is now available to fifth through twelfth grade parents. The program is user-friendly and available to parents after a quick sign-in process.
- The MISD has 14 schools that are named Energy Star Approved buildings. Compared to 2004, the MISD achieved a cost avoidance in calendar year 2005 of \$600,000 in energy.
- A special pep rally honored Dallas-area resident Carlos Linares and MISD student Ray Alake. Linares has been selected as the first Hero of the "Hero in Our Midst" program. For over five years, Linares volunteered as a Big Brother to MISD Timberview High School student Ray Alake. Alake signed a football scholarship with the University of Houston.
- MISD 2006 National Merit Scholarship Program Finalists were Sasha Ahangama from Mansfield Summit High School and Matthew Edmondson from Mansfield High School. Both students will have the opportunity to compete for some 8200 Merit Scholarship awards, worth \$33 million, which will be awarded next spring.
- MISD opened a record six schools in two years: Coble Middle School, Mary Lillard Intermediate School, Anna May Daulton Elementary, Cora Spencer Elementary, Mary Jo Sheppard Elementary and Janet Brockett Elementary.
- One MISD teacher was named to the Weatherford College Exemplary Teacher Hall of Fame.
- Standard & Poor's recently recognized cross Timbers Intermediate School and Mary Orr Intermediate School for narrowing the achievement gap statewide. Mansfield ISD, along with Katy and Tomball ISD, were the only three districts in the state to have more than one school recognized for narrowing at least one achievement gap between student groups.
- MISD D.P. Morris Elementary School District Lead English as a Second Language teacher Cynthia Brennan was recently honored by Weatherford College with the Jack Harvey Academy of Exemplary Teachers Award.
- The MISD Special Services Department recently launched an entire paperless system for Special Education records. Some of the benefits include: fallen margin of error, a user-friendly database and faster results, which allows for an immediate and daily update.

FINANCIAL INFORMATION

The administration of the Mansfield Independent School District is responsible for establishing and maintaining internal controls which are designed to ensure that the assets of the District are protected from loss, theft, and misuse. Also, to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The finance department of the District has fulfilled these responsibilities.

The internal controls are designed to provide reasonable, but not absolute, assurance that the above objectives are being met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and 2) the valuation of costs and benefits requires estimates and judgments by management.

Single Audit. As a recipient of federal, state and local awards, the District also is responsible for ensuring that adequate internal controls are in place to provide compliance with applicable laws and regulations related to those programs. These internal controls are subject to ongoing review by management of the District.

As a part of the District's single audit, described above, tests are made to determine the adequacy of the internal controls, including that portion related to financial award programs, as well as to determine that the District has complied with applicable laws and regulations. The results of the District's single audit for the fiscal year ended August 31, 2006 provided no instances of material weaknesses in the internal controls over financial reporting or over compliance with requirements applicable to each major program. In addition, the audit disclosed no material instances of non-compliance with certain provisions of laws, regulations, contracts and grants and that the District complied with all material compliance requirements applicable to each major program.

Budgetary Controls. In addition to the above, the District maintains budgetary controls throughout all of its financial systems. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated (official) budget adopted by the Board of Trustees. Activities in the General Fund, National School Lunch and Breakfast Program Fund, Debt Service Fund are included in the official budget. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is the fund-function level. District systems may exercise budgetary control at varying combinations of the account code structure. The Texas accounting system for school districts as codified in the Texas Education Agency Financial Accountability System Resource Guide creates a 20 digit account code structure and requires budgetary control through the fund-function level.

The District also utilizes an encumbrance accounting system to maintain budgetary control through a transaction's life cycle. Outstanding encumbrances at the end of a fiscal year lapse at year-end, and are treated as expenditures in the subsequent year upon receipt of goods.

The cost of operating schools and the revenues to cover these costs are accounted for through the General Fund. Special programs, primarily funded by the state or federal governments, which are designed to accomplish a particular objective are accounted for in Special Revenue Funds.

The District allocates a portion of its tax rate for payment of bond interest and maturities and accounts for these transactions through its Debt Service Fund. The District accounts for school construction financed by bond sales and other revenues through Capital Projects Fund.

The National School Lunch and Breakfast Program Fund is used to account for the operations of the District's cafeterias and other food facilities. Revenues are derived primarily from charges to users and from federal child nutrition programs under which amounts are received by grant and by receipt of commodities from the United States Department of Agriculture ("USDA").

The District also maintains Trust and Agency Funds which encompass private purpose trusts as well as agency funds for student activity and other granting organizations.

The financial statement format is prescribed by Financial Accountability System Resource Guide of the Texas Education Agency. As demonstrated by the statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management.

Cash Management. Cash temporarily idle during the year was invested in a diversified portfolio consisting of: demand deposits, U.S. Agencies, the Local Government Investment Cooperative, the Texas Short Term Asset Reserve Program and the State Treasurer's Investment Pool. The District earned interest income of \$6,692,914 on all general governmental funds investments for the year ended August 31, 2006.

The District's cash and investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits were either insured by federal depository insurance or collateralized. All collateral was held by the District's agents in the District's name.

As evidenced by the diversity of its investment portfolio, the District is continuing to take advantage of all investment opportunities available to it. Safety of principal will continue to be foremost in the District's investment decisions. Frost National Bank, N.A. was the official depository of the District, by contract, for the fiscal year ended August 31, 2006.

Fund Balance. The total General Fund fund balance is managed as an integral part of the subsequent year's budget adoption and tax rate setting process. The Board has as one of its goals to maintain at least three months of operating costs in fund balance. As the budget increases each year so does the need to increase the fund balance. Due to this commitment by the Board to prudent financial management the fund balance increased by \$9,362,884 from \$33,967,265 in 2004-05 to \$43,330,149 in 2005-06.

General Government Functions. Revenues for general governmental functions (including General, Special Revenue, Debt Service, and Capital Projects) totaled \$211,633,545 for 2005-2006, an increase of 16.3% over 2004-2005.

Revenue from various sources and comparisons with last year are shown in the tabulation that follows:

<u>Revenue Sources</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase Over 2004-2005</u>
Local	\$ 125,428,541	59.3%	\$ 17,799,449
State	75,298,345	35.6%	8,694,024
Federal	10,906,659	5.1%	3,238,233
Total	<u>\$ 211,633,545</u>	<u>100.0%</u>	<u>\$ 29,731,706</u>

The increase in local revenues is primarily due to increased property tax revenues. The increase in state revenues is primarily a result of increased student enrollment.

The following schedule presents a summary of general governmental (includes General, Special Revenue, Debt Service, and Capital Project) expenditures by function for the fiscal year ended August 31, 2006 and the increases and decreases in relation to prior year amounts.

Function of Expenditures	Amount	Percent of Total	Increase (Decrease) Over 2004-05
Current:			
Instruction	\$ 96,371,503	31.58%	\$ 8,311,651
Instructional resources & Media Services	2,119,800	0.69%	196,689
Curriculum & Staff Development	2,100,038	0.69%	549,976
Instructional Leadership	1,610,077	0.53%	103,046
School Leadership	12,065,484	3.95%	1,171,057
Guidance & Counseling Services	6,084,630	1.99%	543,001
Social Work Services	-	0.00%	-
Health Services	2,152,967	0.71%	268,052
Student Transportation	5,205,418	1.71%	843,168
Food Service	7,568,994	2.48%	1,206,371
Extracurricular Activities	4,260,065	1.40%	106,361
General Administration	3,606,648	1.18%	283,604
Plant Maintenance and Operations	17,171,844	5.63%	1,109,415
Security and Monitoring Services	1,439,035	0.47%	116,274
Data Processing Services	1,339,072	0.44%	15,526
Community Services	166,592	0.05%	7,568
Debt Service:			
Principal on long-term debt	9,270,433	3.04%	1,806,897
Interest and fiscal charges	24,851,615	8.14%	1,726,306
Capital Outlay:			
Facilities Acquisition and Construction	107,703,799	35.29%	32,707,766
Intergovernmental:			
Payments related to shared services arrangements	109,082	0.03%	34,400
 Total Expenditures	\$ 305,197,096	100.00%	\$ 51,107,128

Debt Administration. The ratio of net bonded debt to taxable assessed valuation is 9.5%.

Outstanding general obligation bonds and accumulated interest accretion at August 31, 2006 totaled \$574,795,317.

The District's bonds presently carry very favorable ratings as follows:

Moody's Investor Services	"Aa3"
Standard & Poors	"AA-"
Fitch	"AA-"

In March 2001, the voters approved \$180,500,000 in bonds for the construction of five elementary schools, one intermediate school, one middle school, one high school, design for Career Tech Center, Theater Arts Building, Facilities Maintenance (roofs, HVAC), stadium improvements and additional warehouse space. The bonds constitute direct and voted unlimited tax obligations of the District, and the principal thereof and interest thereon are payable from the proceeds of a continuing, direct annual ad valorem tax upon all taxable property within the District. There were no authorized but unissued Bonds as of August 31, 2006. All projects related to this bond program have been completed. The residual funds remaining are being utilized for the purchase of land for future facility construction..

In February 2002, the voters approved \$25,000,000 in bonds for the construction of a Career Tech Center. The bonds constitute direct and voted unlimited tax obligations of the District, and the principal thereof and interest thereon are payable from the proceeds of a continuing, direct annual ad valorem tax upon all taxable property within the District. There were no authorized but unissued Bonds as of August 31, 2006. The center has been serving students since January 2005. Any residual funds remaining will be used to purchase sites for future needed facilities.

In October of 2003, the voters approved \$226,100,000 in bonds in three separate propositions. The first proposition, which totaled \$193,300,000, is for the construction of five elementary schools, one intermediate school, one middle school, one high school and renovations and improvements to support facilities. The second proposition, which totaled \$19,500,000, is for the construction of a new multipurpose stadium. The third proposition, which totaled \$13,300,000, is for the construction of a natatorium. There were no authorized but unissued Bonds as of August 31, 2006. The high school, named Mansfield Legacy, one elementary, and the natatorium are the only remaining projects currently under construction. These projects are slated for a fiscal year 2007 opening.

The voters approved a \$241.5 million bond package in May 2006 for another high school (high school number 5), middle school, intermediate school, three new elementary schools and a satellite bus parking facility. Also included is HVAC, roofing, electrical upgrades, and renovations at various existing locations. As of August 31, 2006 the District had issued \$33.9 million in bonds for this authorization.

Fiduciary Funds. The District maintains the following fiduciary funds:

- a) Private Purpose Trust Fund - used to account for assets held by the District in a trustee capacity for individuals and private organizations.
- b) Agency Funds - used to account for the receipts and disbursements of monies from student activity, and other granting organizations. These funds have no equity, assets are equal to liabilities, and do not include revenue and expenditures for general operations of the District. This accounting reflects the agency relationship of the District to the student activity and other granting organizations.

Enterprise Funds. The District also maintains the following Enterprise Funds:

- a) Day Care Center – This enterprise fund is for the purpose of providing employee child care. The center is located within the Career Tech Center and was started after the first of the current fiscal year. It is the intention of the District to operate this facility at no cost to the taxpayers. This first year of operations required the District to loan this fund some operating funds. The center is expected to repay these funds in the coming fiscal year.
- b) Natatorium – The construction of the natatorium will create many new opportunities for the students of the District and the community. The program structure is designed like a pyramid with each level built on the base created by the one below. The base of the District’s aquatic program is the elementary water safety program. Not only is water safety the basis of all the other aquatic programs, it is the origin of the revenue stream that will enable the facility to generate income which will off-set much of the operating expenses of the facility. The learn-to-swim program will be the single largest revenue generating program conducted at the natatorium. Many students graduating from this program will move on to participate in the District’s competitive swim club. While also being a revenue generating program, the swim club will serve as a

feeder program for the District's middle school and high school competitive teams. In addition, many of the parents whose children are involved in the afore mentioned programs; will choose to take advantage of the lap swimming, masters swimming, and aqua aerobic classes offered at the same time their children are participating in the youth programs. Again this is an opportunity to generate revenue by exposing more people in the community to the programs offered at the natatorium

Risk Management. The District's risk management policies and practices incorporate all the functions of a sound risk management program. Included are surveys identifying potential risks, actions to address and correct those risks, and an overall plan to coordinate risk retention and risk transfer. A Risk Manager is employed to provide ongoing attention to the complex changes in the risk management needs of school district.

Independent Audit. State law and District policy require an annual audit by independent certified public accountants. The annual audit was performed by Deloitte & Touche LLP for the year ended August 31, 2006.

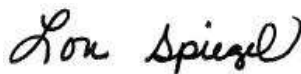
In addition to meeting the requirements set forth in state statutes, the audit was designed to meet the requirements of the federal Single Audit Act of 1996 and related OMB Circular A-133. The independent auditors' report on the basic financial statements is included in the financial section of this report. Also included in this report are the independent auditors' reports relating specifically to the single audit.

ACKNOWLEDGEMENTS

The preparation of this report on a timely basis could not have been accomplished without the dedicated efforts of the entire staff of the Finance office. Sincere appreciation for their time and efforts in this endeavor must be expressed. Also, thanks need to be extended to the Board of Trustees for their interest and support in the planning and operations of the financial services area of the District. Their concern that the business of the District be conducted efficiently and responsibly, and their recognition of the importance of such services, makes such tasks rewarding for the staff as a whole.



Vernon Newsom
Superintendent



Lou Spiegel
Associate Superintendent
for Business and Governmental Relations



Chris Moad
Assistant Superintendent
of Finance and Construction Accounting

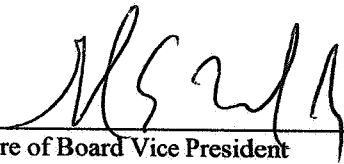
CERTIFICATE OF BOARD

Mansfield Independent School District Tarrant County County District #220-908

We, the undersigned, do hereby certify that the attached independent auditors' report of the above-named school district was reviewed and:

approved disapproved
(check one)

for the year ended August 31, 2006, at a meeting of the Board of School Trustees of such school district on the 23th day of January, 2007.



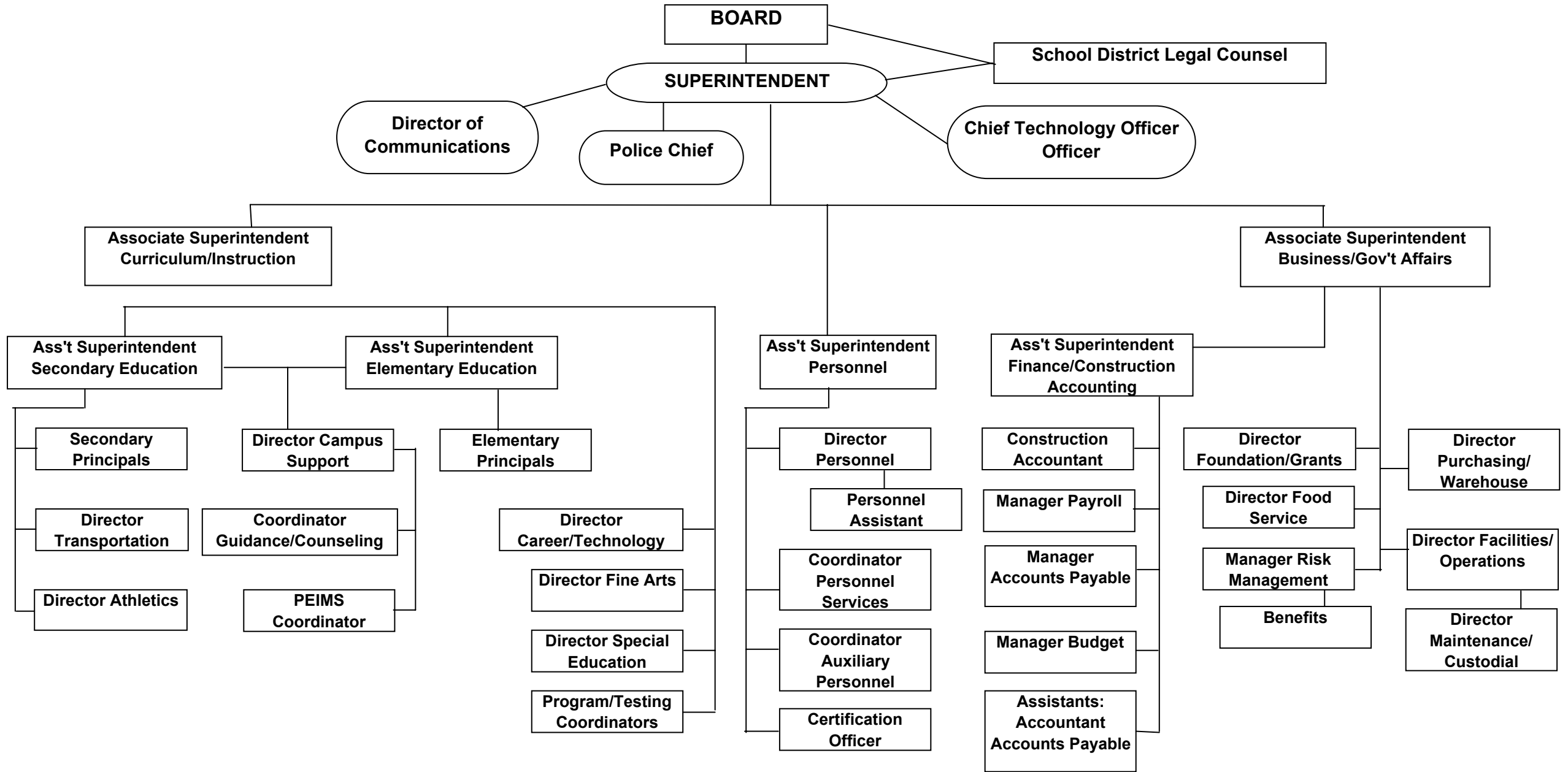
Signature of Board Vice President



Signature of Board President

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

**MANSFIELD ISD
ORGANIZATIONAL CHART 2005-2006**



Mansfield Independent School District

Board of Trustees

Mr. Terry Moore

Place 1

First elected 2006
Medical Sales
Term Expires 2009

Ms. Beth Light

Place 2

First elected 2006
Account Manager
Term Expires 2009

Ms. Joy Keller

Place 3

First elected 1995
Chief Executive Officer-
Insurance Group
Term Expires 2007

Mr. Dan Phillips

Place 4, President

First elected 1998
Owner of Sign Company
Term expires 2007

Ms. Sandra Vathauer

Place 5, Secretary

First Elected 2004
Petroleum Engineer
Term expires 2007

Mr. Gale Moericke

Place 6, Vice President

First elected 2002
Director of Information
Services
Term expires 2008

Mr. Mike Leasor

Place 7

First elected 2005
Corporate Attorney
Term expires 2008

Mansfield Independent School District
Administrative Staff

Vernon Newsom
Superintendent of Schools

Dr. Claude Cunningham
*Associate Superintendent
Curriculum and Instruction*

Lou Spiegel
*Associate Superintendent
Business and Governmental Relations*

Judy Miller
*Assistant Superintendent
Personnel Services*

Ray Jaksa
Chief Technology Officer

Bob Morrison
*Assistant Superintendent
Secondary Education*

Dr. Sara Jandrucko
*Assistant Superintendent
Elementary Education*

Chris Moad
*Assistant Superintendent
Finance and Construction Accounting*

John Perdue
*Director,
Facilities, Operations*

Terry Morawski
Public Information Officer

Additional Accounting Staff

Asha Pai
Accountant

Victor Jones
Construction and Investments Manager

Gwen Nichols
Budget Manager

Kimberly Conlon
Accounting Clerk

Financial Section

INDEPENDENT AUDITORS' REPORT

Members of the Board of Trustees
Mansfield Independent School District
Mansfield, Texas

We have audited the accompanying financial statements of the governmental and business-type activities, each major fund and the aggregate remaining fund information of the Mansfield Independent School District (the "District"), as of and for the year ended August 31, 2006, 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 management. Our responsibility is to express an opinion on the respective 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental and business-type activities, each major fund and the aggregate remaining fund information of the Mansfield Independent School District, as of August 31, 2006 and the respective changes in financial position and respective cash flows, where applicable, thereof in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and Required Supplementary Information are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the management of the District. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on them.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The combining and individual nonmajor fund financial statements and supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements of the District. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of*

States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. These statements and schedules are the responsibility of the District's management. Such additional information has been subjected to the auditing procedures applied in our 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.

The introductory section and statistical tables listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements for the District. This information is the responsibility of the District's management. Such additional information has not been subjected to the auditing procedures applied in our audit of the basic financial statements, and accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2007 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 *Government Auditing Standards* and should be considered in assessing the results of our audit.

Deloitte & Touche LLP

January 18, 2007

**MANSFIELD INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2006
(UNAUDITED)**

This section of Mansfield Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2006. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

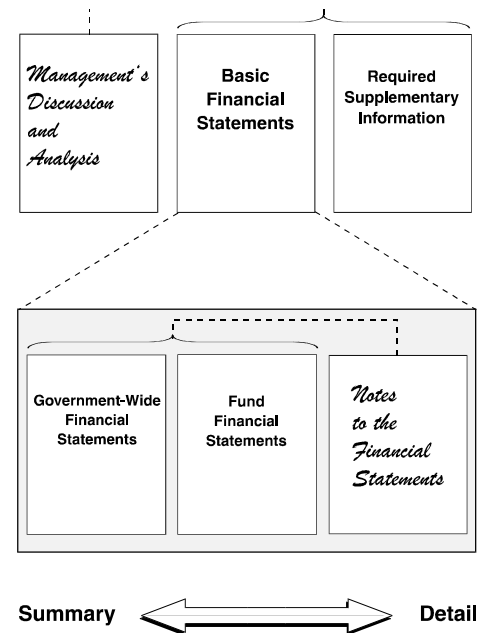
- On the government-wide financial statements, the assets of the District exceeded liabilities by \$69,269,669 an increase of \$8,698,876 from fiscal year 2005. Of this amount \$35,317,471 is unrestricted.
- The District's governmental funds financial statements reported combined ending fund balance of \$157,614,509. Of this amount, \$40,917,314 is unreserved, undesignated in the General Operating Fund and is available for spending at the District's discretion as of August 31, 2006 as compared to \$31,117,270 available as of August 31, 2005.
- The District issued \$98,830,000 in new bonds during fiscal 2006. These bonds use the last amount , \$65 million, of the 2003 authorization with the remainder being issued from the 2006 authorization.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial section consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in *more detail* than the government-wide statements.
 - The *governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
 - *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*.
 - *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

Figure A-1. Required Components of the District's Annual Financial Report



The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements

Type of Statements	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses: self insurance	Instances in which the district is the trustee or agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of revenues, expenditures & changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-wide Statements

The *government-wide financial statements* are designed to provide the readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information for all the current year's revenues and expenses regardless of when the cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows for future fiscal periods.

Both of the District's governmental-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (*governmental activities*) as opposed to *business-type activities* that are intended to recover all of a significant portion of their costs through user fees and charges. The District has two business-type activities, District employee day care and District natatorium. The employee day care started in the middle of this fiscal year. Next fiscal year should have the day care operating closer to capacity. The natatorium will begin operations in the middle of next fiscal year. The natatorium costs this fiscal year are minor startup labor charges.

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes *all* of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

Fund Financial Statements

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

- Some funds are required by State law and by bond covenants.

- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has three kinds of funds:

- *Governmental funds*—Most of the District’s basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, which explain the relationship (or differences) between them.
- *Proprietary funds*—Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Enterprise funds are used to report the same functions presented as business-type activities in government-wide financial statements. The District uses an enterprise fund to account for its Employee day care operations and District natatorium.
- *Fiduciary funds*—The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District’s fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the District’s government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets. The District’s *combined* net assets were approximately \$69.2 million at August 31, 2006. (See Table A-1).

Table A-1
The District’s Net Assets

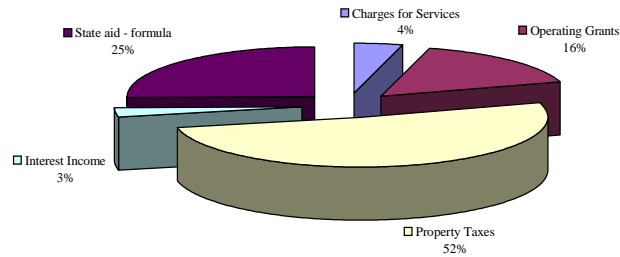
	Governmental Activities		Business-type Activities*	Total	
	2005-2006	2004-2005	2005-2006	2005-2006	2004-2005
Other Assets	\$ 190,964,065	\$ 180,125,147	\$ 32,331	\$ 190,996,396	\$ 180,125,147
Capital Assets	494,072,397	402,506,348	-	494,072,397	402,506,348
Total Assets	685,036,462	582,631,495	32,331	685,068,793	582,631,495
Current Liabilities	37,886,826	34,565,058	3,809	37,890,635	34,565,058
Long Term Liabilities	577,908,489	487,495,644	-	577,908,489	487,495,644
Total Liabilities	615,795,315	522,060,702	3,809	615,799,124	522,060,702
Net Assets:					
Invested in Capital Assets					
net of related debt	23,937,249	16,189,753	-	23,937,249	16,189,753
Restricted	10,014,949	7,669,175	-	10,014,949	7,669,175
Unrestricted	35,288,949	36,711,865	28,522	35,317,471	36,711,865
Total Net Assets	\$ 69,241,147	\$ 60,570,793	\$ 28,522	\$ 69,269,669	\$ 60,570,793

*Comparative annual data not available

Investment in capital assets (e.g. land, buildings, furniture, and equipment) less any related debt used to acquire those assets that is still outstanding is \$23,937,249. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. An additional portion of the District's net assets \$10,014,949, represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$35,317,471 may be used to meet the District's ongoing obligations.

The District's total revenues were \$211,246,626 in fiscal 2006 as compared to \$181,138,900 in fiscal 2005. A significant portion, approximately 52%, of the District's revenue come from taxes. (See Figure A-3) 25% percent comes from state aid - formula grants, while only 4% relate to charges for services. The total cost of all programs and services was \$202,547,750.

Figure A-3
Sources of Revenue for the Year Ended August 31, 2006



Government-wide Activities

The District's total net assets increased by \$8,698,876. The total cost of all government-wide activities for the fiscal year 2005 was \$202,547,750. Funding for these government-wide activities is by specific program revenue or through general revenues such as property taxes and investment earnings. The following is a summary of governmental funds activities:

- The cost of all *governmental* activities this year was \$202,547,750.
- The amount that taxpayers paid for these activities through property taxes was \$108,706,675 or 52%.
- Some of the cost was paid by those who directly benefited from the programs, \$8,360,186, or 4%.
- Some cost was covered by grants and contributions of \$34,175,153, or 16%.

Table A-2 presents the cost of each of the District's largest Governmental Activity functions as well as each function's *net cost* (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

Table A-2
Net Cost of Selected Governmental Activities Functions
(in millions)

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$108.1	\$95.0
School Leadership	13.0	9.6
Plant Maintenance and Operations	17.4	16.6
Interest and Fiscal Charges	22.9	11.2

Change in the District's Net Assets

	Governmental Activities		Business-type Activities*	Total	
	2005-2006	2004-2005	2005-2006	2005-2006	2004-2005
Revenues					
Program Revenues					
Charges for Services	\$ 8,360,186	\$ 7,851,120	\$ 63,156	\$ 8,423,342	\$ 7,851,120
Operating Grants and Contributions	34,175,153	25,673,852		34,175,153	25,673,852
General Revenues					
Property Taxes	108,706,675	95,643,775		108,706,675	95,643,775
Grants and Contributions Not Restricted	52,850,345	48,251,525		52,850,345	48,251,525
Investment Earnings	6,692,914	3,718,628		6,692,914	3,718,628
Other	398,197			398,197	-
Total Revenues	211,183,470	181,138,900	63,156	211,246,626	181,138,900
Expenses					
Instruction	108,159,386	98,520,031		108,159,386	98,520,031
Instructional Resources & Media Services	2,938,673	2,655,597		2,938,673	2,655,597
Curriculum & Staff Development	2,101,693	1,551,717		2,101,693	1,551,717
Instructional Leadership	1,644,198	1,515,561		1,644,198	1,515,561
School Leadership	12,988,034	11,722,706		12,988,034	11,722,706
Guidance & Counseling Services	6,251,689	5,693,197		6,251,689	5,693,197
Health Services	2,262,622	1,981,895		2,262,622	1,981,895
Student Transportation	5,186,853	4,377,859		5,186,853	4,377,859
Food Service	9,114,489	7,712,525		9,114,489	7,712,525
Extracurricular Activities	4,428,243	4,330,073		4,428,243	4,330,073
General Administration	3,834,351	3,544,630		3,834,351	3,544,630
Plant Maintenance and Operations	17,448,738	16,084,667		17,448,738	16,084,667
Security and Monitoring Services	1,465,348	1,314,240		1,465,348	1,314,240
Data Processing Services	1,400,922	1,280,561		1,400,922	1,280,561
Community Services	174,678	167,110		174,678	167,110
Interest and Fiscal Charges	22,944,117	15,795,741		22,944,117	15,795,741
Payments related to shared services arrangements	109,082	74,682		109,082	74,682
Day Care			86,444	86,444	
Natatorium			8,190	8,190	
Total Expenses	202,453,116	178,322,792	94,634	202,547,750	178,322,792
Transfers	(60,000)	-	60,000	-	-
Increase in Net Assets	8,670,354	2,816,108	28,522	8,698,876	2,816,108
Beginning Net Assets	60,570,793	57,754,685	-	60,570,793	57,754,685
Ending Net Assets	\$ 69,241,147	\$ 60,570,793	\$ 28,522	\$ 69,269,669	\$ 60,570,793

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental funds totaled \$211,633,545, an increase of 16% over the preceding year. This increase in revenues was primarily driven by an 13% increase in the General Fund from \$134,796,988 in fiscal 2005 to \$153,210,542 in fiscal 2006 and a 23% increase in the Debt Service Fund from \$28,145,004 in fiscal 2005 to \$34,796,270 in fiscal 2006.

Total local revenues increased approximately 16%. This increase in local revenues is a result of state legislation that has shifted state funds away from school districts similar to the District and caused districts to increase local revenues by significant amounts each year. Additionally significant student population growth necessitates increased local revenues to offset resulting increased local expenses. State revenue increased by 13% during fiscal 2006. The increase in state revenues is a result of an increase of 2,470 students in average daily attendance. Federal revenues increased \$3,238,233 in fiscal 2006 primarily due to an increase in federal program revenue distributed through other agencies.

In comparing revenues and expenditures for fiscal 2006 with fiscal 2005, the District experienced several significant fluctuations. Program revenues increased significantly especially in the area of grants and contributions. This increase was driven by the growth in the District's student population as mentioned above. In general revenues, property taxes increased significantly as the appraised value increased approximately 12%. Investment earnings continued their recovery during fiscal 2006 as interest rates continued to rise from fiscal 2005 levels. Fiscal 2006 expenditures for instruction increased approximately 9% from fiscal 2005. This increase was mainly driven by the need for additional instructional staff as the student population increased combined with a salary increase for 2006. Additional instructional materials were also required to handle student population growth. Interest and fiscal charges increased approximately 7% in fiscal 2006 as compared to fiscal 2005. This increase was a result of a new debt issued during the past fiscal years. The new debt is used to fund capital projects as the District continues to expand facilities to handle student population growth.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget several times. Even with these adjustments, actual expenditures were \$2,358,127 (1% of total actual) below final budget amounts in the General Fund. There were no significant variances, positive or negative, within the General Fund expenditures.

On the other hand, actual revenues were \$1,682,374 above the final budgeted amount. This was driven primarily by property tax collections being more than expected at year end. Another factor was a one time catch-up of Medicaid SHARS program with an approval of a new type of reimbursable procedure for the current and prior years.

During the year certain budget amendments were passed to address general growth in the District. This activity is normal for the District as the administration responds to growth and change throughout the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District has invested \$494.1 million, net of depreciation, in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-3.) This amount represents a net increase (including capital asset additions and deductions) of \$91.6 million, or 22.7% over last year.

Table A-3
District's Capital Assets

	Fiscal 2006			Fiscal 2005
	Carrying Value	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 30,449,279	N/A	\$ 30,449,279	\$ 27,279,187
Buildings and improvements	451,143,276	87,241,375	363,901,901	311,914,376
Furniture and equipment	2,864,093	2,000,197	863,896	1,013,084
Vehicles	9,093,017	4,971,294	4,121,723	4,071,485
Construction in progress	94,735,598	N/A	94,735,598	58,228,216
Totals	<u>\$ 588,285,263</u>	<u>\$ 94,212,866</u>	<u>\$ 494,072,397</u>	<u>\$ 402,506,348</u>

Additions to the District's capital assets are underway as a \$226 million bond package was approved by voters in October 2003. This bond package will fund the construction of another high school, middle school and intermediate school along with five new elementary schools and the construction of a new multipurpose stadium and natatorium facility. Renovations and improvements to current facilities will also be funded through the new construction program. As of August 31, 2006, the high school, one elementary school and natatorium facility are the only projects that are not finished for this authorization.

The voters approved a \$241.5 million bond package in May 2006 for another high school (high school number 5), middle school, intermediate school (which requires moving/rebuilding an existing middle school field house), three new elementary schools and a satellite bus parking facility. Also included are HVAC, roofing, electrical upgrades and renovations at various existing locations.

More detailed information about the District's capital assets is presented in Note 4 and 9 of the financial statements.

Debt Administration

Debt-management policies seek to provide the most favorable climate for District debt projects while upholding the highest rating possible for debt instruments. Management policies include the following points:

- All debt service obligations will be met when due.
- Long-term financing will be restricted to capital projects and capital equipment acquisition.
- Long-term bonds will not be issued to finance current operations.
- The District will cooperate and communicate with bond-rating agencies and work towards obtaining the most favorable municipal bond rating possible.

- Outstanding obligations will be reviewed frequently to ensure the most favorable funding structure for the District.
- All necessary information and material regarding the District's financial status will be provided to the appropriate parties.

As of August 31, 2006, the District had total bonded debt principal outstanding of \$572,243,744. In fiscal 2006 the district paid \$9,270,433 in bonded debt principal. More detailed information about the District's debt is presented in Note 5 of the financial statements.

The District has no authorized but unissued general obligation bonds under the 2003 authorization but \$207,555,000 remains authorized but unissued under the 2006 authorization as of August 31, 2006. The District continues to enjoy good bond ratings. The "AAA" long-term rating on the District's bonds reflect the Texas Permanent Fund guarantee. The latest review by the rating agencies was made in May 2006. The underlying rating of the District is "Aa3" by Moody's Investors Service, Inc., "AA-" by Standard & Poor's Ratings Services (upgraded from 2005 review), and "AA-" by Fitch Inc.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Net taxable value (July 25, 2006) used for the fiscal 2007 budget preparation will be up \$781 million, or 13.3% from 2006. New construction for 2007 is up \$68.7 million to \$550.5 million.
- General Operating Fund spending per projected enrolled student increased in the 2007 budget from \$5,949 to \$6,419.
- The District's fiscal 2007 budget is prepared with average daily attendance expected to be 26,631 up 9% from 2006 actual attendance.

These indicators were taken into account when adopting the General Fund budget for 2007. Amounts available for appropriation in the General Fund budget are \$174.1 million, an increase of 15% over the final 2006 budget of \$151.5 million. Property taxes will decrease by \$.0845 per \$100 in valuation for 2007. The detail of the decrease is maintenance and operations going down from \$1.407 per \$100 in valuation to \$1.2875 as mandated by the legislature, debt service tax rate increased \$.035 per \$100 in valuation to \$.40 per \$100 in valuation. Enrollment continues to grow for the District reaching 27,989 students during November 2006 as compared to 25,641 students during November 2005. As attendance drives state funding this is expected to be positive for the District. The District will use these increases in revenues to finance programs currently offered.

Expenditures are budgeted to rise 17.8% to \$174.1 million. The largest increments are increased staffing, and teacher salary schedule adjustments. These competitive salary schedule adjustments allowed the District to open the 2006-2007 school year with no teacher vacancies. The District has added no major new programs or initiatives to the 2007 budget.

If these estimates are realized, the District's budgetary General Fund balance will not change as of the close of fiscal 2007.

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 demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Finance Department, at 605 East Broad Street, Mansfield, Texas 76063, or call (817) 299-6300.

Basic Financial Statements

MANSFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
AUGUST 31, 2006

TEA Exhibit A-1

Data Control Codes		Governmental Activities	Business Type Activities	Total
ASSETS				
1110	Cash and Temporary Investments	\$ 173,306,294	\$ 47,822	\$ 173,354,116
1220	Property Taxes Receivable - Delinquent	5,653,395		5,653,395
1230	Allowance for Uncollectible Taxes	(169,604)		(169,604)
1240	Due from Other Governments	7,588,612		7,588,612
1260	Internal Balances	15,491	(15,491)	-
1290	Other Receivables	727,193		727,193
1310	Inventories	207,238		207,238
1420	Capital Bond & Other Debt Issuance Costs	3,635,446		3,635,446
1510	Land	30,449,279		30,449,279
1520	Buildings, net	363,901,901		363,901,901
1530	Furniture and Equipment, net	4,985,619		4,985,619
1580	Construction in Progress	94,735,598		94,735,598
1000	Total Assets	<u>685,036,462</u>	<u>32,331</u>	<u>685,068,793</u>
LIABILITIES				
2110	Accounts Payable	12,380,497	\$ 1,318	12,381,815
2150	Payroll Deductions and Withholdings Payable	1,499,954		1,499,954
2160	Accrued Wages Payable	11,493,181		11,493,181
2180	Due to Other Governments	21,935		21,935
2200	Accrued Interest Payable	1,560,409		1,560,409
2300	Deferred Revenues	1,465,850	2,491	1,468,341
	Long-Term Liabilities			
	Portion Due or Payable within One Year:			
2125	Bonds Payable	9,465,000		9,465,000
	Portion Due or Payable after One Year:			
2500	Bonds Payable	577,908,489		577,908,489
2000	Total Liabilities	<u>615,795,315</u>	<u>3,809</u>	<u>615,799,124</u>
NET ASSETS				
3200	Invested in Capital Assets, Net of Related Debt	23,937,249		23,937,249
3820	Restricted for Food Service	2,329,762		2,329,762
3850	Restricted for Debt Service	7,685,187		7,685,187
3900	Unrestricted Net Assets	35,288,949	28,522	35,317,471
3000	Total Net Assets	<u>\$ 69,241,147</u>	<u>\$ 28,522</u>	<u>\$ 69,269,669</u>

The accompanying notes are an integral part of this statement

MANSFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2006

TEA Exhibit B-1

Data Control Codes		Program Revenues			Total Governmental Activities	Business Type Acitivites	Total
		Expenses	Charges for Services	Operating Grants and Contributions			
GOVERNMENTAL ACTIVITIES							
11	Instruction	\$ 108,159,386	\$ 460,013	\$ 12,698,759	\$ (95,000,614)	\$ -	\$ (95,000,614)
12	Instructional resources & Media Services	2,938,673		160,276	(2,778,397)		(2,778,397)
13	Curriculum & Staff Development	2,101,693		817,744	(1,283,949)		(1,283,949)
21	Instructional Leadership	1,644,198		273,514	(1,370,684)		(1,370,684)
23	School Leadership	12,988,034	2,841,247	496,792	(9,649,995)		(9,649,995)
31	Guidance & Counseling Services	6,251,689		886,944	(5,364,745)		(5,364,745)
33	Health Services	2,262,622		204,380	(2,058,242)		(2,058,242)
34	Student Transportation	5,186,853	1,781	1,824,510	(3,360,562)		(3,360,562)
35	Food Service	9,114,489	4,313,705	3,896,351	(904,433)		(904,433)
36	Extracurricular Activities	4,428,243	497,512	126,371	(3,804,360)		(3,804,360)
41	General Administration	3,834,351	41	141,120	(3,693,190)		(3,693,190)
51	Plant Maintenance and Operations	17,448,738	195,585	600,655	(16,652,498)		(16,652,498)
52	Security and Monitoring Services	1,465,348	50,302	70,669	(1,344,377)		(1,344,377)
53	Data Processing Services	1,400,922		63,687	(1,337,235)		(1,337,235)
61	Community Services	174,678		109,863	(64,815)		(64,815)
72	Interest and fiscal charges	22,944,117		11,719,185	(11,224,932)		(11,224,932)
81	Facilities Acquisition and Construction	-		10,281	10,281		10,281
	Payments related to shared						-
95	services arrangements	109,082		74,052	(35,030)		(35,030)
TG	Total Governmental Activities:	202,453,116	8,360,186	34,175,153	(159,917,777)	-	(159,917,777)
BUSINESS-TYPE ACTIVITIES							
	Day Care	86,444	63,156	-	-	(23,288)	(23,288)
	Natorium	8,190	-	-	-	(8,190)	(8,190)
TB	Total Business-Type Activities:	94,634	63,156	-	-	(31,478)	(31,478)
TP	TOTAL PRIMARY GOVERNMENT:	\$ 202,547,750	\$ 8,423,342	\$ 34,175,153	(159,917,777)	(31,478)	(159,949,255)
General Revenues:							
MT					86,310,970		86,310,970
DT					22,395,705		22,395,705
					(60,000)	60,000	-
GC					52,850,345		52,850,345
IE					6,692,914		6,692,914
MI					398,197		398,197
TR					168,588,131	60,000	168,648,131
CN					8,670,354	28,522	8,698,876
NB					60,570,793	-	60,570,793
NE					\$ 69,241,147	\$ 28,522	\$ 69,269,669

The accompanying notes are an integral part of this statement

MANSFIELD INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2006

TEA Exhibit C-1

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Other Nonmajor Funds	98 Total Governmental Funds	
ASSETS						
1110	Cash and Temporary Investments	\$ 48,688,054	\$ 7,711,082	\$ 113,602,895	\$ 3,304,263	\$ 173,306,294
1220	Property Taxes Receivable - Delinquent	4,366,008	1,287,387			5,653,395
1230	Allowance for Uncollectible Taxes	(130,982)	(38,622)			(169,604)
1240	Due from Other Governments	6,500,383	-		1,088,229	7,588,612
1260	Due from Other Funds	76,647	190,913			267,560
1290	Other Receivables	704,914	-		22,279	727,193
1300	Inventories	207,238				207,238
1000	Total Assets	<u>\$ 60,412,262</u>	<u>\$ 9,150,760</u>	<u>\$ 113,602,895</u>	<u>\$ 4,414,771</u>	<u>\$ 187,580,688</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
2110	Accounts Payable	\$ 1,578,702	\$ 81,846	\$ 10,251,384	\$ 468,565	\$ 12,380,497
2150	Payroll Deductions and Withholdings Payable	1,499,954				1,499,954
2160	Accrued Wages Payable	11,336,006			157,175	11,493,181
2170	Due to Other Funds	249,023		1,890	1,156	252,069
2180	Due to Other Governments	21,935				21,935
2200	Accrued Interest Payable		353,982			353,982
2300	Deferred Revenues	2,396,493	1,029,745		538,323	3,964,561
2000	Total Liabilities	<u>17,082,113</u>	<u>1,465,573</u>	<u>10,253,274</u>	<u>1,165,219</u>	<u>29,966,179</u>
Fund Balances:						
Reserved For:						
3410	Investments in Inventory	207,238				207,238
3420	Retirement of Long-Term Debt		7,685,187			7,685,187
3450	Food Service				2,329,762	2,329,762
3470	Capital Projects			103,349,621		103,349,621
Unreserved Designated For:						
3520	Benefits/Workmans Compensation	676,210				676,210
3530	Capital Expenditures - Lease Proceeds	1,194,592				1,194,592
3590	Other Designation - Safe School, Energy Prg	334,795				334,795
Unreserved and Undesignated						
3600	Reported in the General Fund	40,917,314				40,917,314
3610	Reported in the Special Revenue Funds				919,790	919,790
3000	Total Fund Balances	<u>43,330,149</u>	<u>7,685,187</u>	<u>103,349,621</u>	<u>3,249,552</u>	<u>157,614,509</u>
4000	Total Liabilities and Fund Balances	<u>\$ 60,412,262</u>	<u>\$ 9,150,760</u>	<u>\$ 113,602,895</u>	<u>\$ 4,414,771</u>	<u>\$ 187,580,688</u>

The accompanying notes are an integral part of this statement

MANSFIELD INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
AUGUST 31, 2006

TEA Exhibit C-1R

Total Fund Balances - Governmental Funds \$ 157,614,509

Amounts Reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Costs of the assets	
Beginning balance	479,741,754
Added during year (net of retirements)	108,543,509
Accumulated depreciation	
Beginning balance	(77,235,406)
Added during year (net of retirements)	(16,977,460)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds Payable	(572,243,744)
Accrued Interest Payable	(1,206,427)
Interest Accretion on Capital Appreciation Bonds	(2,551,573)

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include:

Deferred revenue	2,498,711
Bond issue costs	3,635,446
Deferred amount refunding	5,320,280
Bond premium	(17,898,452)

Total Net Assets of Governmental Activities \$ 69,241,147

The accompanying notes are an integral part of this statement

MANSFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED AUGUST 31, 2006

TEA Exhibit C-2

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Other Nonmajor Funds	98 Total Governmental Funds	
REVENUES:						
5700	Total Local and Intermediate Sources	\$ 91,335,008	\$ 23,077,085	\$ 3,220,666	\$ 7,795,782	\$ 125,428,541
5800	State Program Revenues	60,581,432	11,719,185		2,997,728	75,298,345
5900	Federal Program Revenues	1,294,102			9,612,557	10,906,659
5020	Total Revenues	<u>153,210,542</u>	<u>34,796,270</u>	<u>3,220,666</u>	<u>20,406,067</u>	<u>211,633,545</u>
EXPENDITURES:						
Current:						
0011	Instruction	89,567,292			6,804,211	96,371,503
0012	Instructional resources & Media Services	2,044,708			75,092	2,119,800
0013	Curriculum & Staff Development	1,319,839			780,199	2,100,038
0021	Instructional Leadership	1,380,790			229,287	1,610,077
0023	School Leadership	9,281,232			2,784,252	12,065,484
0031	Guidance & Counseling Services	5,433,808			650,822	6,084,630
0033	Health Services	2,051,165			101,802	2,152,967
0034	Student Transportation	5,105,501			99,917	5,205,418
0035	Food Service	-			7,568,994	7,568,994
0036	Extracurricular Activities	4,138,135			121,930	4,260,065
0041	General Administration	3,579,015			27,633	3,606,648
0051	Plant Maintenance and Operations	16,976,026			195,818	17,171,844
0052	Security and Monitoring Services	1,426,252			12,783	1,439,035
0053	Data Processing Services	1,329,817			9,255	1,339,072
0061	Community Services	67,254			99,338	166,592
Debt Service:						
0071	Principal on long-term debt		9,270,433			9,270,433
0171	Interest and fiscal charges		23,868,665	982,950		24,851,615
Capital Outlay:						
0080	Facilities Acquisition and Construction	60,104		107,642,173	1,522	107,703,799
Intergovernmental:						
0093	Payments related to shared services arrangements	35,030			74,052	109,082
6030	Total Expenditures	<u>143,795,968</u>	<u>33,139,098</u>	<u>108,625,123</u>	<u>19,636,907</u>	<u>305,197,096</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>9,414,574</u>	<u>1,657,172</u>	<u>(105,404,457)</u>	<u>769,160</u>	<u>(93,563,551)</u>
OTHER FINANCING SOURCES (USES):						
7900	Proceeds from the Sale of Bonds			98,830,000		98,830,000
7912	Proceeds from Sale of Equipment	8,310				8,310
7916	Premium on Issuance of Bonds			2,250,600		2,250,600
7915	Transfer In (Out)		99,540	(99,540)		-
8911	Transfer (Out)	(60,000)				(60,000)
7080	Total Other Financing Sources	<u>(51,690)</u>	<u>99,540</u>	<u>100,981,060</u>	<u>-</u>	<u>101,028,910</u>
1200	Change In Fund Balance	9,362,884	1,756,712	(4,423,397)	769,160	7,465,359
0100	Fund Balance - September 1 (Beginning)	33,967,265	5,928,475	107,773,018	2,480,392	150,149,150
3000	Fund Balance - August 31 (Ending)	<u>\$ 43,330,149</u>	<u>\$ 7,685,187</u>	<u>\$ 103,349,621</u>	<u>\$ 3,249,552</u>	<u>\$ 157,614,509</u>

The accompanying notes are an integral part of this statement

MANSFIELD INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2006

TEA Exhibit C-3

Total Net Change in Fund Balances - Governmental Funds \$ 7,465,359

Amounts Reported for governmental activities in the statement of net assets are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Costs of the assets	108,543,509
Current year depreciation	(16,977,460)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Payments on Bonds Payable	9,270,433
Change in Accreted Interest on Capital Appreciation Bonds	181,339
Bonds issued net	(101,080,600)

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include:

Deferred revenue change	(458,385)
Bond Premium and issue cost amortization	999,338
Issuance costs on new bonds issued	981,060
Decrease in Bond interest payable	(254,239)

Change in Net Assets of Government Activities \$ 8,670,354

The accompanying notes are an integral part of this statement

MANSFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
AUGUST 31, 2006

TEA Exhibit D-1

	Business-type Activities	Total Enterprise Funds
ASSETS		
Current Assets:		
Cash and Temporary Investments	\$ 47,822	
Due from Other Funds	60,000	
	107,822	
LIABILITIES		
Current Liabilities:		
Accounts Payable	1,318	
Due to Other Funds	75,491	
Deferred Revenue	2,491	
	79,300	
NET ASSETS		
Unrestricted Net Assets		28,522
3000 Total Net Assets	\$ 28,522	28,522

The accompanying notes are an integral part of this statement

MANSFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED AUGUST 31, 2006

TEA Exhibit D-2

	Business-type Activities
	Total Enterprise Funds
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 63,156
Total Operating Revenues	63,156
OPERATING EXPENSES:	
Payroll Costs	86,312
Professional and Contracted Services	7,800
Supplies and Materials	124
Other Expenses	398
Total Operating Expenses	94,634
Operating Loss	(31,478)
NON OPERATING REVENUES:	
Transfers In	60,000
Change in Net Assets	28,522
Total Net Assets September 1 (Beginning)	-
Total Net Assets - August 31 (Ending)	\$ 28,522

The accompanying notes are an integral part of this statement

MANSFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED AUGUST 31, 2006

TEA Exhibit D-3

	Business-type Acitivities
	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from User Charges	\$ 63,156
Cash Received from Prepaid Tuition	2,491
Cash Payments to Employees for Services	(9,503)
Cash Payments for Contracted Services	(7,800)
Cash Payments for Supplies	(124)
Cash Payments for Other Expenses	(398)
	47,822
Net Cash Provided by Operating Acitivities	47,822
Cash and Cash Equivalents at Beginning of the Year	-
Cash and Cash Equivalents at the End of the Year	\$ 47,822
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITES:	
Operating Loss	\$ (31,478)
Effect of Increase and Decreases in Current Assets and Liabilites:	
Increase in Accounts Payable	1,318
Increase in Due to Other Funds	75,491
Increase in Prepaid Tuition	2,491
Net Cash Provided by Operating Activities	\$ 47,822

The accompanying notes are an integral part of this statement

MANSFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
AUGUST 31, 2006

TEA Exhibit E-1

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash and Temporary Investments	\$ 60,937	\$ 352,416
Total Assets	<u>60,937</u>	<u>\$ 352,416</u>
LIABILITIES		
Due to Student Groups	-	\$ 352,416
Total Liabilities	<u>-</u>	<u>\$ 352,416</u>
NET ASSETS		
Restricted Net Assets	60,937	
Total Net Assets	<u>\$ 60,937</u>	

The accompanying notes are an integral part of this statement

MANSFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
YEAR ENDED AUGUST 31, 2006

TEA Exhibit E-2

	Private Purpose Trust Fund
<hr/>	
ADDITIONS:	
Investment Income	\$ 2,664
Total Additions	<u>2,664</u>
Change in Net Assets	2,664
Net Assets - September 1 (Beginning)	58,273
Net Assets - August 31 (Ending)	<u><u>\$ 60,937</u></u>

The accompanying notes are an integral part of this statement

Mansfield Independent School District
Notes to Basic Financial Statements
Year Ended August 31, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Since the District receives funding from local, state and federal government sources, it must comply with the requirements of the entities providing those funds.

New Accounting Standards

During the fiscal year, the District implemented Government Accounting Standards Board ("GASB") Statements No. 42, "*Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*" ("GASB 42") and No. 44, "*Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1)*" ("GASB 44"). GASB 42 had no material impact on the District's financial statements. GASB 44 added information to and changed data presented in the statistical section of the District's Annual Financial Report to improve comparability with similar entities.

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's 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*, which are reported separately, rely to a significant extent, on fees and charges for support.

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

The fund financial statements provide reports on the financial condition and results of operations for three fund categories – governmental, proprietary, and fiduciary. Since resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The emphasis on fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as other funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in

connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are nonoperating.

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 private purpose trust 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 revenues as soon as all eligibility requirements imposed by the provider have been met. The District has elected to follow accounting standards issued by GASB and only those accounting standards issued by the Financial Accounting Standards Board on or before November 30, 1989, as allowed by GASB Statement No. 20.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the District considered revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and claims and judgments are recorded only when payments are due.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible to accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

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

Proprietary funds operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal operations. The principal operating revenues of the District's enterprise funds are for charges to patrons for use of the two facilities, District employee day care and the District natatorium. Operating expenses for the enterprise funds include salaries and other operating expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Accounting

The District reports the following major governmental funds:

The General Fund which accounts for financial resources related to the general operations of the District, including financial resources not required to be accounted for in some other fund.

The Debt Service Fund which is utilized to account for the accumulation of resources for, and the payment of long-term debt principal, interest and related costs arising from general obligation bonds.

The Capital Projects Fund which accounts for proceeds from sales of bonds and other revenues to be used for authorized construction and acquisition of capital facilities.

Additionally, the District reports the following funds:

Governmental Funds:

The Special Revenue Funds which account for federal, state and locally financed programs where unused balances are generally returned to the grantor at the close of specified project periods. Proceeds of specific revenue sources that are legally restricted to or designated for specific purposes by a grantor are accounted for in a special revenue fund. The District also accounts for its food service and campus activities in special revenue funds. Project accounting is employed to maintain integrity for the various sources of funds.

Proprietary Funds:

Enterprise Funds account for the activities of the District's employee day care and natatorium.

Fiduciary Funds:

Private Purpose Trust Funds are used to account for resources legally held in trust under which principal and income benefit individuals, private organizations or other governments.

Agency Funds which are custodial in nature and account for activities of student groups and other types of activities requiring clearing accounts. These funds have no equity. Assets are equal to liabilities and do not include revenues and expenditures for general operations of the District. This accounting reflects the District's agency relationship with the student activity organizations. Fiduciary funds do use the modified accrual basis of accounting to recognize assets and liabilities.

Investments

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using cost based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments that have a remaining term of one year or less at the time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes.

Inventories

Supplies and materials are recorded as expenditures when requisitioned. Inventories of supplies on the balance sheet are recorded at cost, using the average cost method. Supplies and materials are used for almost all functions of activity.

Interfund Transactions and Receivables and Payables

Advances between funds are accounted for in the appropriate interfund receivable and payable accounts. All legally authorized transfers are appropriately treated as transfers and are included in the results of operations.

Capital Assets

Capital assets, which include land, buildings, furniture and equipment are reported in the government-wide financial statements. Assets are capitalized by the District if the cost of the item is more than \$5,000. 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 cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	20-25 Years
Furniture and Equipment	5 Years
Vehicles	5 -15 Years
Property Under Capital Leases	5 Years

Data Control Codes

These codes refer to the account code structure prescribed by the Texas Education Agency ("TEA") in the Resource Guide.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The amount of state foundation revenue a school district earns for a year can and does vary until the time when final values for each of the factors in the formula become available. Availability can be as late as midway into the next fiscal year. It is at least reasonably possible that the foundation revenue will ultimately change from the estimate as of August 31, 2006.

NOTE 2: CASH AND INVESTMENTS

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") Insurance.

At August 31, 2006, the District's carrying amount of deposits was \$145,092 and the bank balance was \$1,930,078. The District's bank balance at August 31, 2006, was entirely covered by FDIC insurance and pledged collateral held by the District's bank in the District's name. The deposits were collateralized in accordance with Texas Law.

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

- a. Name of bank: Frost National Bank, N.A., Mansfield, Texas

- b. The amount of bond and/or the market value of securities pledged as of the date of the highest combined balance on deposit was: \$2,557,152.
- c. The largest combined balances of cash, savings, and time deposit accounts amounted to \$7,344,119 and occurred during the month of September 2005.
- d. Total amount of FDIC coverage at the time of the largest combined balance was \$100,000.

Credit Risk

State law and the Mansfield ISD adopted Investment Policy restrict demand deposits, certificates of deposit (CD) and share certificates to those fully collateralized or FDIC insured from eligible depositories (banks and savings banks) doing business in Texas. Such CDs are limited to maturities under one (1) year and are further collateralized to 102% with pledged securities (and 110% if mortgage backed securities) with all collateral held by an independent custodian.

State law and the Mansfield ISD adopted Investment Policy limit repurchase agreements to banks and primary dealers, require an industry standard, written master repurchase agreement, require independent safekeeping of collateral, and require a 102% margin on collateral.

Local government investment pools, as defined by state law (2256.016) and approved by adopted Policy are authorized. By State law all local government pools are rated AAA or equivalent by at least one NRSRO. The pooled funds operate in a manner consistent with SEC's Rule 2a7 ("2a7 like pool") of the Investment Company Act of 1940. The external pooled funds use amortized cost rather than fair value to report net assets to compute share price. Accordingly the fair value of the positions of the pooled funds is the same as the value of external pool shares.

As of August 31, 2006,

- certificates of deposit represented 0.00% of the total portfolio,
- local government investment pools represented 91.5% of the total portfolio, and
- the remainder of the portfolio (8.5%) was in US Government and Agency securities rated AAA.

Concentration of Credit Risk

Mansfield ISD's adopted Investment Policy requires diversification on all authorized investment types which are monitored on at least a monthly basis.

As of August 31, 2006,

- certificates of deposit represented 0.00% of the total portfolio, and
- funds in one investment pool, LOGIC, represented 11.2% of the total portfolio,
- funds in one investment pool, TexStar, represented 73.7% of the total portfolio, and
- funds in one investment pool, Texpool, represented 6.5% of the total portfolio.

Interest Rate Risk

In order to limit interest and market rate risk from changes in interest rates, Mansfield ISD's adopted Investment Policy sets a maximum maturity of one (1) year and a maximum weighted average maturity (WAM) of 180 days on any operating fund. A maximum maturity of two (2) years and a maximum weighted average maturity of 270 days is established, by Policy, for capital project funds.

As of August 31, 2006, the portfolio contained:

- no holding with a stated maturity beyond one year.

A segmented time distribution of the portfolio follows

Investment Type	Fair Value	Investment Maturities in Years			
		Less than 1 Year	1-2 Years	2-3 Years	3-5 Years
US Agencies					
FNMA*	\$ 9,863,500	\$ 9,863,500	\$ 0	\$ 0	\$ 0
FHLMC*	4,986,291	4,986,291	0	0	0
Constant Dollar Pools					
Texpool	11,366,673	11,366,673	0	0	0
LOGIC	19,486,404	19,486,404	0	0	0
TexStar	127,919,509	127,919,509	0	0	0
Total Value	\$ 173,622,377	\$ 173,622,377	\$ 0	\$ 0	\$ 0
% of Total Portfolio		100.00%	0.00%	0.00%	0.00%

* Abbreviations:

FHLMC is an abbreviation of Federal Home Loan Mortgage Corporation

FNMA is an abbreviation for Federal National Mortgage Association

As of August 31, 2006, the portfolio contained no structured notes.

NOTE 3: PROPERTY TAXES

Property taxes are levied by October 1 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 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. The assessed value of the roll on January 1, 2005, upon which the levy for the 2006 fiscal year was based, was \$6,038,031,204.

The tax rates assessed for the year ended August 31, 2006 to finance general fund operations and the payment of principal and interest on general obligation long-term debt were \$1.407 and \$.365 per \$100 of valuation, respectively, for a total of \$1.772 per \$100 of valuation. Current tax collections for the year ended August 31, 2006 were 99.0% of the tax levy.

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

NOTE 4: CAPITAL ASSETS

Capital asset activity for the District for the year ended August 31, 2006, was as follows:

	Balance September 1, 2005	Additions/ Transfers	Deletions/ Transfers	Balance August 31, 2006
Capital assets, not being depreciated:				
Land	\$ 27,279,187	\$ 3,170,092		\$ 30,449,279
Construction in progress	<u>58,228,216</u>	<u>104,612,396</u>	<u>(68,105,014)</u>	<u>94,735,598</u>
Total capital assets, not being depreciated	<u>85,507,403</u>	<u>107,782,488</u>	<u>(68,105,014)</u>	<u>125,184,877</u>
Capital assets, being depreciated:				
Buildings & improvements	383,038,262	68,105,014		451,143,276
Furniture & equipment	2,704,973	159,120		2,864,093
Vehicles	<u>8,491,116</u>	<u>601,901</u>	<u>-</u>	<u>9,093,017</u>
Total capital assets, being depreciated	<u>394,234,351</u>	<u>68,866,035</u>	<u>-</u>	<u>463,100,386</u>
Less accumulated depreciation for:				
Buildings & improvements	(71,123,886)	(16,117,489)		(87,241,375)
Furniture & equipment	(1,691,889)	(308,308)		(2,000,197)
Vehicles	<u>(4,419,631)</u>	<u>(551,663)</u>	<u>-</u>	<u>(4,971,294)</u>
Total accumulated depreciation	<u>(77,235,406)</u>	<u>(16,977,460)</u>	<u>-</u>	<u>(94,212,866)</u>
Total capital assets being depreciated, net	<u>316,998,945</u>	<u>51,888,575</u>	<u>-</u>	<u>368,887,520</u>
Total capital assets, net	<u>\$402,506,348</u>	<u>\$ 159,671,063</u>	<u>\$ (68,105,014)</u>	<u>\$ 494,072,397</u>

Depreciation expense of the governmental activities was charged to functions / programs as follows:

Instruction	\$ 11,893,171
Instructional resources & Media Services	818,873
Curriculum & Staff Development	1,655
Instructional Leadership	34,121
School Leadership	922,550
Guidance & Counseling Services	167,059
Health Services	109,655
Student Transportation	530,100
Food Service	1,545,495
Extracurricular Activities	178,342
General Administration	227,703
Plant Maintenance and Operations	399,251
Security and Monitoring Services	79,549
Data Processing Services	61,850
Community Service	8,086
Total depreciation expense	<u>\$ 16,977,460</u>

NOTE 5: LONG-TERM OBLIGATIONS

Bonds and accreted interest are secured by ad valorem taxes levied against all taxable property and are serviced by the Debt Service Fund with an apportionment of the ad valorem tax levy. Interest rates on the bonds range from 2.00% to 7.00%. The principal amount of bond indebtedness cannot exceed 10% of the assessed valuation of taxable property in the District according to the last completed and approved ad valorem tax rolls of the District. At August 31, 2006 \$7,685,187 was available in the Debt Service Fund to service these bonds.

During fiscal year 2006 the District issued bonds delivered on July 27, 2006 from the 2003 and 2006 authorizations. The amount issued was \$98,830,000 of Unlimited Tax School Building Bonds, Series 2006. The \$98,830,000 (authorization premium yielded \$100,000,000 in proceeds) bonds were issued for the construction, renovation and equipping of school buildings and to pay the costs associated with the issuance of the Bonds. The amount issued and premium yielded for the 2003 authorization was \$65,326,630 and \$66,100,000 respectively. The amount issued and premium yielded for the 2006 authorization was \$33,503,370 and \$33,900,000 respectively.

As of August 31, 2006, the District has \$207,555,000 in authorized but unissued general obligation bonds. \$35,290,000 of bonds outstanding are considered defeased at fiscal year end.

Long Term Liabilities on the Statement of Net Assets includes premium/(discount) on issuance of bonds of \$17,898,452, interest payable of \$1,560,409, and unamortized gain/(loss) on refunding of (\$5,320,280).

The following is a summary of changes in long-term obligations of the District for the year ended August 31, 2006:

	September 1, 2005 Obligations	New Obligations Incurred	Obligations Retired or Transferred	August 31, 2006 Obligations	Due Within One Year
Governmental Activities:					
Bonds and Notes Payable					
General obligation bonds	\$ 482,684,177	\$ 98,830,000	\$ 9,270,433	\$ 572,243,744	\$ 8,270,434
Accreted interest	2,732,912	943,227	1,124,566	2,551,573	1,033,087
Premium on bond Issuance	17,077,774	2,250,600	1,429,922	17,898,452	1,544,380
Loss on refunding	(5,604,219)	-	(283,939)	(5,320,280)	(283,939)
Total Bonds and Notes Payable	\$ 496,890,644	\$ 102,023,827	\$ 11,540,982	\$ 587,373,489	\$ 10,563,962

The annual requirements to pay principal and interest on the bond obligations outstanding as of August 31, 2006 are as follows:

Year Ending <u>August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2007	\$ 8,431,913	\$ 30,713,900	\$ 39,145,813
2008	11,087,069	29,091,035	40,178,104
2009	12,351,906	28,626,250	40,978,156
2010	13,807,892	28,081,773	41,889,665
2011	14,701,514	28,182,461	42,883,975
2012-2016	104,418,451	121,420,747	225,839,198
2017-2021	129,655,000	87,081,797	216,736,797
2022-2026	171,345,000	49,687,588	221,032,588
2027-2031	106,444,999	10,561,125	117,006,124
	<u>\$ 572,243,744</u>	<u>\$ 413,446,676</u>	<u>\$ 985,690,420</u>

Note: Accreted interest is included in the interest column

Bonds payable at August 31, 2006 are composed of the following individual issues:

**MANSFIELD INDEPENDENT SCHOOL DISTRICT
DEBT DETAIL**

Description - Authorization (Dated)	Interest Rate	Amount Original Issue
Unlimited Tax Refunding Bonds - (3/15/87)	4.5% to 6.1%	\$ 7,699,372
Variable Rate Unlimited Tax School Building Bonds* - 1996 (7/15/96)	3.41% as of 8/31/2006	15,000,000
School Building Unlimited Tax Refunding Bonds - 1997 - (7/15/97)	4.2% to 5.0%	12,174,990
School Building Unlimited Tax Bonds - 1999 (10/5/99)	5.0% to 7.0%	9,995,000
School Building Unlimited Tax Refunding Bonds - 2000 (6/27/00)	5.4% to 6.6%	27,003,576
School Building Unlimited Tax Bonds - 2001 (3/13/01)	4.5% to 6.0%	44,005,000
School Building Unlimited Tax Refunding Bonds - 2001 (8/9/01)	3.5% to 5.5%	63,989,995
Unlimited Tax Refunding Bonds - (12/12/01)	3.0% to 4.5%	11,634,998
School Building Unlimited Building & Refunding 2002 (9/3/2002)	3.25% - 5.5%	79,789,984
School Building Unlimited Building & Refunding Fixed Bonds - 2001 (7/31/2003)	2.0% - 5.0%	70,435,000
School Building Unlimited Building & Refunding Variable Bonds* - 2001 (8/14/2003)	3.41% as of 8/31/2006	20,000,000
School Building Unlimited Building Bonds 2003 - (3/30/2004)	2.0% - 5.25%	76,330,000
Unlimited Tax Refunding Bonds - (1/15/2005)	2.25% - 5.0%	35,744,980
School Building Unlimited Building Bonds 2003 - (6/1/2005)	3.0% - 5.0%	77,610,000
School Building Unlimited Building Bonds 2003 & 2006 - (7/1/2006)	4.25% - 5.0%	98,830,000

MANSFIELD INDEPENDENT SCHOOL DISTRICT
DEBT ROLLFORWARD

Description - Authorization (Dated)	Amount Outstanding September 1, 2005	Issued	Retired	Accumulated Interest Accretion	Amount Outstanding August 31, 2006	Due within One Year
Unlimited Tax Refunding Bonds - (3/15/87)	\$ 8,610		\$ 8,610		\$ -	\$ -
Variable Rate Unlimited Tax School Building Bonds* - 1996 (7/15/96)	8,100,000		600,000		7,500,000	-
School Building Unlimited Tax Refunding Bonds - 1997 (7/15/97)	7,805,000		770,000		7,035,000	785,000
School Building Unlimited Tax Bonds - 1999 (10/5/99)	4,330,000		225,000		4,105,000	240,000
School Building Unlimited Tax Refunding Bonds - 2000 (6/27/00)	5,620,608		807,245	1,167,680	5,981,043	811,496
School Building Unlimited Tax Bonds - 2001 (3/13/01)	43,605,000		100,000		43,505,000	100,000
School Building Unlimited Tax Refunding Bonds - 2001 (8/9/01)	48,669,995		1,074,578	519,719	48,115,136	1,040,417
Unlimited Tax Refunding Bonds - (12/12/01)	6,935,000		1,730,000		5,205,000	1,800,000
School Building Unlimited Building & Refunding 2002 (9/3/2002)	79,789,984			450,003	80,239,987	1,200,000
School Building Unlimited Building & Refunding Fixed Bonds - 2001 (7/31/2003)	69,425,000		2,120,000		67,305,000	2,060,000
School Building Unlimited Building & Refunding Variable Bonds* - 2001 (8/14/2003)	18,710,000		400,000		18,310,000	-
School Building Unlimited Building Bonds 2003 - (3/30/2004)	76,330,000		100,000	187,738	76,417,738	100,000
Unlimited Tax Refunding Bonds - (1/15/05)	35,744,980		285,000	226,433	35,686,413	295,000
School Building Unlimited Building Bonds 2003 - (6/1/2005)	77,610,000		1,050,000		76,560,000	-
School Building Unlimited Building Bonds 2003 & 2006 - (7/1/2006)		98,830,000			98,830,000	-
Total	<u>\$ 482,684,177</u>	<u>\$ 98,830,000</u>	<u>\$ 9,270,433</u>	<u>\$ 2,551,573</u>	<u>\$ 574,795,317</u>	<u>\$ 8,431,913</u>
				Accumulated Interest Accretion	<u>(2,551,573)</u>	<u>1,033,087</u>
					<u>\$ 572,243,744</u>	<u>\$ 9,465,000</u>

* Determination of interest rate - During each rate period after the initial rate period, the rate of interest on the bonds will be the rate that the remarketing agent determines, under prevailing market conditions on the date of such determination, would result in the market value of the bonds being 100% of the principal amount thereof.

NOTE 6: INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at August 31, 2006 consisted of the following individual fund receivables and payables:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Special Revenue	\$ 1,156	Cash transaction pending
General Fund	Enterprise Fund	75,491	Cash transaction pending
Debt Service	General Fund	189,023	Property tax cash transfer pending
Debt Service	Capital Funds	1,890	Cash transaction pending
Enterprise Fund	General Fund	60,000	Cash transaction pending
Total		<u>\$ 327,560</u>	

These transactions are eliminated in the government wide financial statements.

NOTE 7: DEFERRED REVENUE

Deferred revenue at year-end for the fund statements consisted of the following:

<u>Purpose</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Non Major Funds</u>	<u>Total</u>
Net Tax Revenue	\$ 2,278,559	\$ 672,623		\$ 2,951,182
State Funding Payments		357,122	\$ 7,338	\$ 364,460
Parking Permits	29,961			29,961
United of Omaha/Employee Benefits	54,955			54,955
Pending Property Lawsuits	23,204			23,204
Advanced Placement Incentives			54,031	54,031
MISD Foundation			30,295	30,295
Dr. Pepper Agreement			161,453	161,453
National Semi Conductor Award			25,000	25,000
Prepaid Lunch Cards			208,356	208,356
R.O.T.C.			10,439	10,439
Curriculum Conference			18,611	18,611
Scholarships			7,901	7,901
Miscellaneous Local Grants/Awards	9,814		14,899	24,713
Total	<u>\$ 2,396,493</u>	<u>\$ 1,029,745</u>	<u>\$ 538,323</u>	<u>\$ 3,964,561</u>

For government-wide financial statements, amounts relating to taxes and other earned revenues that were deferred at the fund level, are recognized as revenues.

NOTE 8: OPERATING LEASES

The following is a schedule of the District's future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of August 31, 2006.

Year Ending August 31:

2007	\$	461,452
2008		384,731
2009		182,398
2010		78,453
2011		48,126

Rental expense for the year ended August 31, 2006 was \$413,112.

NOTE 9: COMMITMENTS AND CONTINGENCIES

Litigation - The District is the defendant in a number of lawsuits arising principally in the normal course of operations. In the opinion of District's management, the potential losses after insurance coverage, on all claims will not have a material adverse effect on the District's financial statements; thus, no provision for losses has been recorded.

Grant Programs - The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent the District has not complied with the rules and regulations governing the grants, refunds of any monies received may be required, and the collectability of any related receivable at August 31, 2006, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic statements for such contingencies.

Construction - The District was obligated at August 31, 2006, under major contracts for construction, renovations, and repair of various facilities. The construction contract details associated with some of the major projects are as follows:

	August 31, 2006	
	Contract Amount	Completed and Stored
<u>New Construction:</u>		
Legacy High School	\$ 54,972,837	\$ 43,682,554
Carol Holt Elementary #20	10,641,159	4,913,470
Natatorium	11,278,350	10,953,654
Total	<u>\$ 76,892,346</u>	<u>\$ 59,549,678</u>

NOTE 10: RETIREMENT PLAN

Plan description. The District and its employees contribute 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. TRS operates primarily under the provisions of the Texas Constitution, Article XVI, Section 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfers under Texas Government Code, Title 8, Chapters 803 and 805, respectively.

Funding policy. State law provides for a state contribution rate of 6%, a member contribution rate of 6.4% for the state fiscal years ended August 31, 2006, 2005, and 2004. In certain instances, the reporting district (I.S.D., college, university, or state agency) is required to make all or a portion of the state's 6% 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. The state additionally contributes 1.0 % for TRS-Care. Active TRS members must contribute 0.65% of salary and reporting districts must contribute 0.55% of payroll to TRS-Care Retiree Health Insurance program for fiscal 2006. These contributions were 0.5% and 0.4%, respectively, in fiscal 2005 and 2004.

Effective September 1, 2005, employers must pay an amount equal to the state contribution (6.0% of salary) during the first 90 days of a new member's employment. Additionally, employers are required to pay a monthly surcharge for each retiree working in a TRS covered position and reported to TRS in an amount equal to the sum of the combined state and member contribution rates (12.4% of salary) and a health benefit surcharge for each retiree enrolled in TRS-Care and working in a TRS-Care covered position. The amount of the health benefit surcharge is the amount of the difference between the retiree's premium to TRS-Care and the actual cost of the coverage as determined by TRS.

Types of staff members covered. All staff members who are employed for one-half or more of the standard work load and who are not exempt from membership under Texas Government Code, Title 8, Subtitle C, Section 822.002 are covered.

Service retirement is as follows:

- | | |
|------------------|--|
| Normal - | 1) any combination of age plus years of service which equals 80
2) age 65 with 5 years of service |
| Reduced - | 1) age 55 with at least 5 years of service
2) any age below 55 with 30 years of service |

A member is fully vested after 5 years of creditable service and entitled to any benefit for which eligibility requirements have been met. Contributions made by the State on behalf of the District are recorded in the financial statements as both revenue and expenditures. State contributions to TRS made on behalf of the District's employees for the years ended August 31, 2006, August 31, 2005, and August 31, 2004, are as follows:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
District payroll	\$ 115,216,714	\$ 105,790,119	\$ 95,382,832
District TRS payroll	111,276,367	100,529,403	91,519,024
District contributions	1,872,563	1,458,257	897,745
Federal Contributions	255,302	213,802	169,118
State contributions	5,109,717	4,359,706	4,424,279
State contribution rate	7.0%	7.0%	7.0%
Employee contributions	\$ 7,121,698	\$ 6,433,894	\$ 5,857,336
Employee contribution rate	7.5%	6.9%	6.9%

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.

NOTE 11: HEALTH CARE

During the year ended August 31, 2006, employees of the District were covered by a health insurance plan ("the Plan"). The District paid premiums of \$247 per month per employee who worked at least 20 hours per week to the Plan; and employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

NOTE 12: RISK MANAGEMENT

As of September 1, 1998, the District has fully insured all workers' compensation claims. The current contract covers the period from September 1, 2005 through August 31, 2006. Premium payments are expensed as paid.

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2006, the district purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

NOTE 13: BUDGETARY INFORMATION

For the year ended August 31, 2006, expenditures exceeded appropriations in the following General Fund functions (the aggregate level of control). Those over expenditures were funded by greater than anticipated revenues in the fund.

General Fund	<u>Excess of Expenditures over Appropriations</u>	<u>Percent of Functional Area</u>
Instructional resources & Media Services	\$ 12,115	0.59%
Curriculum & Staff Development	4,434	0.34%
Instructional Leadership	44,939	3.25%
Student Transportation	227,556	4.46%

NOTE 14: SUBSEQUENT EVENT

The District issued \$47,349,979 of Unlimited Tax Refunding Bonds, Series 2006 dated August 15, 2006 delivered September 14, 2006. The bonds were used to provide resources to purchase U.S. government securities that were placed in an irrevocable trust for the purpose of generating resources for a portion of the future debt service payments on the a) Unlimited Tax School Building Bonds, Series 1999, b) Unlimited Tax School Building Bonds Series 2001, c) Unlimited Tax School Building & Refunding Bonds, Series 2001, and d) Unlimited Tax School Building and Refunding Bonds Series 2002 and to pay the costs associated with the issuance of the Bonds.

NOTE 15: NEW ACCOUNTING PRONOUNCEMENTS

The GASB issued Statement No. 45, Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions, which will be effective for the district in the fiscal year ending August 31, 2008. This Statement establishes standards of accounting and financial reporting for post employment health care and other benefits if provided separately from a pension plan. The District will evaluate the impact of the standards on its financial statements and take the necessary steps to implement.

The GASB issued Statement No. 47, Accounting for Termination Benefits. For termination benefits that affect an employer's obligations for defined other post employment benefits, the provisions of this Statement should be applied simultaneously with the requirements of Statement 45. For all other termination benefits, including those that affect an employer's obligations for defined pension benefits, this Statement became effective in the current year. The District will evaluate the impact of the standards on its financial statements and take the necessary steps to implement.

The GASB issued Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, which will be effective for the District in the fiscal year ending August 31, 2008. This Statement establishes criteria that governments will use to ascertain whether certain transactions should be regarded as a sale or a collateralized borrowing. Such transactions are likely to comprise the sale of delinquent taxes, certain mortgages, student loans, or future revenues such as those arising from tobacco settlement agreements. As of August 31, 2006, the District plans to account for and disclose this type of sale if there is a transaction that applies to this Statement in fiscal year 2008.

The GASB issued Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations, which will be effective for the District in the fiscal year ending August 31, 2008. This statement identifies the circumstances under which a governmental entity is required to report a liability related to pollution remediation. A government is required to estimate expected outlays for pollution remediation using an "expected cash flows" measurement technique if it knows a site is polluted and if any of the predefined recognition triggers occur. Information about pollution obligations associated with clean up efforts should also be disclosed in the notes to the financial statements. The District will evaluate the impact of the standards on its financial statements and take the necessary steps to implement.

Required Supplementary Information

MANSFIELD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED AUGUST 31, 2006

TEA Exhibit G-1

Data Control Codes		Budgeted Amounts		Actual (GAAP Basis)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 88,071,832	\$ 90,536,856	\$ 91,335,008	\$ 798,152
5800	State Program Revenues	57,386,527	60,082,025	60,581,432	499,407
5900	Federal Program Revenues	250,000	909,287	1,294,102	384,815
5020	Total Revenues	<u>145,708,359</u>	<u>151,528,168</u>	<u>153,210,542</u>	<u>1,682,374</u>
EXPENDITURES:					
Current:					
0011	Instruction	91,538,570	90,065,746	89,567,292	498,454
0012	Instructional resources & Media Services	2,052,375	2,032,593	2,044,708	(12,115)
0013	Curriculum & Staff Development	1,367,866	1,315,405	1,319,839	(4,434)
0021	Instructional Leadership	1,350,269	1,335,851	1,380,790	(44,939)
0023	School Leadership	9,282,919	9,287,118	9,281,232	5,886
0031	Guidance & Counseling Services	5,490,706	5,504,776	5,433,808	70,968
0033	Health Services	2,125,581	2,057,963	2,051,165	6,798
0034	Student Transportation	4,821,303	4,877,945	5,105,501	(227,556)
0036	Extracurricular Activities	4,431,869	4,692,045	4,138,135	553,910
0041	General Administration	3,896,146	3,714,670	3,579,015	135,655
0051	Plant Maintenance and Operations	18,122,125	18,084,673	16,976,026	1,108,647
0052	Security and Monitoring Services	1,617,627	1,507,294	1,426,252	81,042
0053	Data Processing Services	1,488,134	1,438,469	1,329,817	108,652
0061	Community Services	100,272	81,796	67,254	14,542
0081	Facilities Acquisition and Construction	105,464	109,364	60,104	49,260
0093	Payments related to shared services arrangements	25,000	48,387	35,030	13,357
6030	Total Expenditures	<u>147,816,226</u>	<u>146,154,095</u>	<u>143,795,968</u>	<u>2,358,127</u>
1100	Excess of Revenues Over Expenditures	<u>(2,107,867)</u>	<u>5,374,073</u>	<u>9,414,574</u>	<u>4,040,501</u>
OTHER FINANCING SOURCES:					
7912	Proceeds from Sale of Equipment	-	8,310	8,310	-
8911	Transfer Out	-	(60,000)	(60,000)	-
7080	Total Other Financing Sources	<u>-</u>	<u>(51,690)</u>	<u>(51,690)</u>	<u>-</u>
1200	Excess of Revenues Over Expenditures and Other Financing Sources	<u>(2,107,867)</u>	<u>5,322,383</u>	<u>9,362,884</u>	<u>4,040,501</u>
0100	Fund Balance - September 1 (Beginning)	33,967,265	33,967,265	33,967,265	33,967,265
3000	Fund Balance - August 31 (Ending)	<u>\$ 31,859,398</u>	<u>\$ 39,289,648</u>	<u>\$ 43,330,149</u>	<u>\$ 38,007,766</u>

See notes to required supplemental information

Mansfield Independent School District
Notes to Required Supplementary Information
Year Ended August 31, 2006

NOTE 1: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The District is required by state law to adopt annual budgets for the General Fund, National School Lunch and Breakfast Program fund (Food Service Fund) and Debt Service Fund. Special Revenue Funds, other than the Food Service Fund, are required to be budgeted on a project basis. Each budget is presented on the modified accrual basis of accounting which is consistent with accounting principles generally accepted in the United States of America.

The District uses the following procedures in establishing the budgets reflected in the financial statements:

Prior to August 20th of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and means of financing them.

A meeting of the Board of School Trustees is then called for the purpose of adopting the proposed budget after ten days public notice of the meeting has been given.

Prior to September 1, the budget is legally enacted by the Board of School Trustees.

The officially adopted district budget, as amended, must be filed with TEA through PEIMS (Public Education Information Management System) by the date prescribed in the annual system guidelines. This requirement for filing the amended budget with TEA is satisfied when the school district files its Annual Financial and Compliance Report.

Once a budget is approved, it can be amended at the function and fund level only by approval of a majority of the members of the Board of School Trustees. Amendments are presented to the Board at their regular meetings. Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board of School Trustees. All budget appropriations lapse at year-end.

Over the course of the year, the District revised its budget several times. Even with these adjustments, actual expenditures were \$2,358,127 (1.6% of total actual) above final budget amounts in the general fund. There were no significant variances, positive or negative, within the general fund expenditures.

On the other hand, revenues were \$1,682,374 above the final budgeted amount. This was driven primarily by property tax collections being more than expected.

During the year certain budget amendments were passed to address general growth in the District. This activity is normal for the District as the administration responds to growth and change throughout the year.

Combining and Individual Fund Statements and Schedules

MANSFIELD INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2006

TEA Exhibit H-1

	Federal	State	Local	National School Lunch & Breakfast Program	Total Nonmajor Governmental Funds
ASSETS					
Cash and Temporary Investments (market)	\$ (670,166)	\$ (82,793)	\$ 1,137,603	\$ 2,919,619	\$ 3,304,263
Due from Other Governments	680,604	166,271	-	241,354	1,088,229
Other Receivables			22,201	78	22,279
Total Assets	<u>\$ 10,438</u>	<u>\$ 83,478</u>	<u>\$ 1,159,804</u>	<u>\$ 3,161,051</u>	<u>\$ 4,414,771</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable			\$ 2,771	\$ 465,794	\$ 468,565
Accrued Wages Payable		\$ 36		157,139	157,175
Due to Other Funds			1,156	-	1,156
Deferred Revenues	\$ 10,438	63,615	255,914	208,356	538,323
Total Liabilities	<u>10,438</u>	<u>63,651</u>	<u>259,841</u>	<u>831,289</u>	<u>1,165,219</u>
Fund Balances:					
Reserved For:					
Food Service				2,329,762	2,329,762
Unreserved and Undesignated Reported in the Special Revenue Funds		19,827	899,963		919,790
Total Fund Balances	<u>-</u>	<u>19,827</u>	<u>899,963</u>	<u>2,329,762</u>	<u>3,249,552</u>
Total Liabilities and Fund Balances	<u>\$ 10,438</u>	<u>\$ 83,478</u>	<u>\$ 1,159,804</u>	<u>\$ 3,161,051</u>	<u>\$ 4,414,771</u>

MANSFIELD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED AUGUST 31, 2006

TEA Exhibit H-2

	Federal	State	Local	National School Lunch & Breakfast Program	Total Nonmajor Governmental Funds
REVENUES:					
Total Local and Intermediate Sources			\$ 3,482,077	\$ 4,313,705	\$ 7,795,782
State Program Revenues		\$ 2,936,226		61,502	2,997,728
Federal Program Revenues	\$ 5,851,456			3,761,101	9,612,557
Total Revenues	<u>5,851,456</u>	<u>2,936,226</u>	<u>3,482,077</u>	<u>8,136,308</u>	<u>20,406,067</u>
EXPENDITURES:					
Current:					
Instruction	4,437,200	2,032,886	334,125		6,804,211
Instructional resources & Media Services	34,886	25,191	15,015		75,092
Curriculum & Staff Development	342,414	365,907	71,878		780,199
Instructional Leadership	221,929	7,358	-		229,287
School Leadership	14,150	81,140	2,688,962		2,784,252
Guidance & Counseling Services	598,373	51,406	1,043		650,822
Health Services	76,260	25,152	390		101,802
Student Transportation	28,844	69,291	1,782		99,917
Food Service	-	73,748	-	7,495,246	7,568,994
Extracurricular Activities	-	2,009	119,921		121,930
General Administration	13,169	14,423	41		27,633
Plant Maintenance and Operations	-	143,185	633	52,000	195,818
Security and Monitoring Services	-	12,531	252	-	12,783
Data Processing Services	-	9,255	-	-	9,255
Community Services	10,179	1,395	87,764	-	99,338
Facilities Acquisition and Construction	-	1,522	-	-	1,522
Intergovernmental:					
Payments related to shared services arrangements	74,052	-	-	-	74,052
Total Expenditures	<u>5,851,456</u>	<u>2,916,399</u>	<u>3,321,806</u>	<u>7,547,246</u>	<u>19,636,907</u>
Change In Fund Balance	-	19,827	160,271	589,062	769,160
Fund Balance - September 1 (Beginning)	-	-	739,692	1,740,700	2,480,392
Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ 19,827</u>	<u>\$ 899,963</u>	<u>\$ 2,329,762</u>	<u>\$ 3,249,552</u>

MANSFIELD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF NET ASSETS
AUGUST 31, 2006

TEA Exhibit H-3

Data Control Codes	Day Care Center	Natatorium	Total Enterprise Funds
ASSETS			
Current Assets:			
Cash and Temporary Investments	\$ 47,822	\$ -	\$ 47,822
Due from Other Funds	40,000	20,000	60,000
	<hr/>	<hr/>	<hr/>
Total Assets	87,822	20,000	107,822
LIABILITIES			
Current Liabilities:			
Accounts Payable	991	327	1,318
Due to Other Funds	67,628	7,863	75,491
Prepaid Tuition	2,491	-	2,491
	<hr/>	<hr/>	<hr/>
Total Liabilities	71,110	8,190	79,300
NET ASSETS			
Unrestricted Net Assets	16,712	11,810	28,522
	<hr/>	<hr/>	<hr/>
3000 Total Net Assets	<u>\$ 16,712</u>	<u>\$ 11,810</u>	<u>\$ 28,522</u>

MANSFIELD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND NET ASSETS
YEAR ENDED AUGUST 31, 2006

TEA Exhibit H-4

Data Control Codes	Day Care Center	Natatorium	Total Enterprise Funds
OPERATING REVENUES:			
Local and Intermediate Sources	\$ 63,156	\$ -	\$ 63,156
	<u>63,156</u>	<u>-</u>	<u>63,156</u>
OPERATING EXPENSES:			
Payroll Costs	78,122	8,190	86,312
Professional and Contracted Services	7,800	-	7,800
Supplies and Materials	124	-	124
Other Expenses	398	-	398
	<u>86,444</u>	<u>8,190</u>	<u>94,634</u>
Total Operating Expenses	86,444	8,190	94,634
	<u>(23,288)</u>	<u>(8,190)</u>	<u>(31,478)</u>
Operating Loss	(23,288)	(8,190)	(31,478)
NON OPERATING REVENUES (EXPENSES):			
Transfers In	40,000	20,000	60,000
	<u>16,712</u>	<u>11,810</u>	<u>28,522</u>
Change in Net Assets	16,712	11,810	28,522
Total Net Assets September 1 (Beginning)	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Net Assets - August 31 (Ending)	<u>\$ 16,712</u>	<u>\$ 11,810</u>	<u>\$ 28,522</u>

MANSFIELD INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF CASH FLOWS
 YEAR ENDED AUGUST 31, 2006

TEA Exhibit H-5

	Day Care Center	Natatorium	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from User Charges	\$ 63,156	\$ -	\$ 63,156
Cash Received from Prepaid Tuition	2,491	-	2,491
Cash Payments to Employees for Services	(9,503)	-	(9,503)
Cash Payments for Contracted Services	(7,800)	-	(7,800)
Cash Payments for Supplies	(124)	-	(124)
Cash Payments for Other Expenses	(398)	-	(398)
Net Cash Provided by Operating Activities	47,822	-	47,822
Cash and Cash Equivalents at Beginning of the Year	-	-	-
Cash and Cash Equivalents at the End of the Year	\$ 47,822	\$ -	\$ 47,822
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating Loss	\$ (23,288)	\$ (8,190)	\$ (31,478)
Effect of Increase and Decreases in Current Assets and Liabilities:			
Increase in Accounts Payable	991	327	1,318
Increase in Due to Other Funds	67,628	7,863	75,491
Increase in Prepaid Tuition	2,491	-	2,491
Net Cash Provided by Operating Activities	\$ 47,822	\$ -	\$ 47,822

Other Supplementary Information

MANSFIELD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2006

TEA Exhibit J-1

LAST TEN YEARS ENDED AUGUST 31	TAX RATES		ASSESSED OR APPRAISED VALUATION	DELINQUENT BALANCE BY YEAR SEPTEMBER 1, 2005	CURRENT YEAR'S TOTAL LEVY	TAX COLLECTIONS (1)			DELINQUENT BALANCE BY YEAR AUGUST 31, 2006
	MAINTENANCE	DEBT SERVICE				MAINTENANCE	DEBT SERVICE	ADJUSTMENTS	
1997 and prior	Various	Various	Various	\$ 428,060		\$ 5,764	\$ 2,028	\$ (193)	420,075
1998	1.246767	0.475265	\$ 1,961,836,317	248,378		4,564	1,740	(976)	241,098
1999	1.286200	0.435800	\$ 2,156,681,646	99,741		4,573	1,550	(418)	93,200
2000	1.319000	0.393000	\$ 2,493,242,632	151,297		(5,203)	(1,550)	(28,920)	129,130
2001	1.343000	0.344000	\$ 2,973,741,285	436,251		72,057	18,457	21,322	367,059
2002	1.343000	0.328400	\$ 3,520,513,536	357,421		130,273	31,855	77,650	272,943
2003	1.367000	0.315000	\$ 4,197,906,445	462,230		186,784	43,042	78,191	310,595
2004	1.367000	0.315000	\$ 4,782,448,164	642,766		292,514	67,404	92,827	375,675
2005	1.377000	0.340000	\$ 5,403,399,519	2,050,995		1,063,534	262,601	25,222	750,082
2006(Current)	1.407000	0.365000	\$ 6,038,031,204	n/a	\$ 105,594,177	83,184,654	21,579,529	1,863,544	2,693,538
Total				<u>\$ 4,877,139</u>	<u>\$ 105,594,177</u>	<u>\$ 84,939,514</u>	<u>\$ 22,006,656</u>	<u>\$ 2,128,249</u>	<u>\$ 5,653,395</u>

(1) Amounts are total collections net of adjustments, and do NOT include penalties and interest.

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

FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION

TEA Exhibit J-2

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (other) Miscellaneous	7 Total
611X-6146	PAYROLL COSTS	\$ 12		\$ 318,558	\$ 1,746,608	\$ 229,753	\$ 917,355	\$ 3,212,286
6149	Fringe Benefits (Unused Leave for Separating Employees in Function 41 and Related 53)							
6149	Fringe Benefits (Unused Leave for Separating Employees in all Functions except Function 41 and Related 53)							
6211	Legal Services	183,555				7,305		190,860
6212	Audit Services				59,920			59,920
6213	Tax Appraisal and Collection		572,378					572,378
621X	Other Prof. Services	2,594			24,265			26,859
6220	Tuition and Transfer Payments							-
6230	Education Service Centers	800					228,348	229,148
6240	Contr. Maint. and Repair					1,039		1,039
6250	Utilities					465		465
6260	Rentals				14,478		382	14,860
6290	Miscellaneous Contr.	3,706		1,830	94,547	15,728	154,033	269,844
6320	Textbooks and Reading	264		412	322	834	89	1,921
6330	Testing Materials							-
63XX	Other Supplies Materials			388	51,531	5,294	24,412	81,625
6410	Travel, Subsistence, Stipends	3,122		3,458	22,862	5,056	7,147	41,645
6420	Ins. and Bonding Costs				130,387			130,387
6430	Election Costs	24,706						24,706
6490	Miscellaneous Operating	33,942		9,454	2,606	400	100	46,502
6500	Debt Service							-
6600	Capital Outlay						41,275	41,275
6000	TOTAL	\$ 252,701	\$ 572,378	\$ 334,100	\$ 2,147,526	\$ 265,874	\$ 1,373,141	\$ 4,945,720

Total expenditures/expenses for General and Special Revenue Funds
(plus Food Service Enterprise Fund if present)

9 \$163,432,875

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	10	\$ 3,330,522
Total Debt & Lease (6500)	11	-
Plant Maintenance (Function 51, 6100-6400)	12	17,025,491
Food (Function 35, 6341 and 6499)	13	3,363,215
Stipends (6413)	14	-
Column 4 (above) - Total Indirect Cost		2,147,526
Subtotal:		\$25,866,754
Net Allowed Direct Cost		<u>\$137,566,121</u>

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	15	\$451,143,276
Historical Cost of Buildings over 50 years old	16	N/A
Amount of Federal Money in building Cost (Net of #16)	17	-
Total Cost of Furniture & Equipment before Depreciation (1530&1540)	18	2,864,093
Historical Cost of Furniture & Equipment over 16 years old	19	N/A
Amount of Federal Money in Furniture & Equipment (Net of #19)	20	-

Note A - \$1,339,072 in Function 53 expenditures are included in this report on administrative costs.

MANSFIELD INDEPENDENT SCHOOL DISTRICT
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
 GENERAL FUND AS OF AUGUST 31, 2006

Exhibit J-3

Data Control Code	Explanation	Amount
1	Total General Fund Balance 8/31/05 (Exhibit C-1 object 3000 for the General Fund Only)	\$ 43,330,149
2	Total Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund only)	\$ 207,238
3	Total Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund only)	\$ 2,205,597
4	Estimated amount needed to cover fall cash flow deficits in General Fund (net of borrowed funds and funds representing deferred revenues)	\$ 4,335,624
5	Estimate of one month's average cash disbursements during the regular school session (9/1/05-5/31/06)	\$ 16,092,843
6	Estimate of delayed payments from state sources (58XX) including August payment delays	\$ 7,019,952
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	\$ 6,393,218
8	Estimate of delayed payments from federal sources (59XX)	\$ -
9	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	\$ -
10	Optimum Fund Balance and Cash Flow (2 + 3 + 4 + 5 + 6 + 7 + 8 + 9)	\$ 36,254,472
11	Excess/(Deficit) Undesignated Unreserved General Fund Fund Balance (1 -10)	\$ 7,075,677

If item 11 is a positive number

Explanation of need for and/or projected use of net positive Undesignated Unreserved General Fund Fund Balance:
 The District is rapidly growing with numerous school openings scheduled. Funds will be needed for start up/opening costs.

MANSFIELD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - NATIONAL SCHOOL LUNCH & BREAKFAST PROGRAM
YEAR ENDED AUGUST 31, 2006

TEA Exhibit J-4

Data Control Codes		Budgeted Amounts		Actual (GAAP Basis)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 3,370,076	\$ 4,079,378	\$ 4,313,705	\$ 234,327
5800	State Program Revenues	56,765	61,502	61,502	-
5900	Federal Program Revenues	2,780,653	3,607,988	3,761,101	153,113
5020	Total Revenues	<u>6,207,494</u>	<u>7,748,868</u>	<u>8,136,308</u>	<u>387,440</u>
EXPENDITURES:					
Current:					
0035	Food Service	6,490,307	7,834,376	7,495,246	339,130
0051	Plant Maintenance and Operations	52,000	52,000	52,000	-
6030	Total Expenditures	<u>6,542,307</u>	<u>7,886,376</u>	<u>7,547,246</u>	<u>339,130</u>
1100	Excess of Revenues Over Expenditures	(334,813)	(137,508)	589,062	726,570
0100	Fund Balance - September 1 (Beginning)	1,740,700	1,740,700	1,740,700	-
3000	Fund Balance - August 31 (Ending)	<u>\$ 1,405,887</u>	<u>\$ 1,603,192</u>	<u>\$ 2,329,762</u>	<u>\$ 726,570</u>

MANSFIELD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - DEBT SERVICE FUND
YEAR ENDED AUGUST 31, 2006

TEA Exhibit J-5

Data Control Codes		Budgeted Amounts		Actual (GAAP Basis)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 22,332,216	\$ 22,844,415	\$ 23,077,085	\$ 232,670
5800	State Program Revenues	11,102,025	11,727,559	11,719,185	(8,374)
5020	Total Revenues	<u>33,434,241</u>	<u>34,571,974</u>	<u>34,796,270</u>	<u>224,296</u>
EXPENDITURES:					
Current:					
Debt Service:					
0071	Principal on long-term debt	9,827,417	9,270,433	9,270,433	-
0171	Interest and fiscal charges	23,362,657	23,945,532	23,868,665	76,867
6030	Total Expenditures	<u>33,190,074</u>	<u>33,215,965</u>	<u>33,139,098</u>	<u>76,867</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>244,167</u>	<u>1,356,009</u>	<u>1,657,172</u>	<u>301,163</u>
OTHER FINANCING SOURCES:					
7915	Operating Transfer In		99,540	99,540	-
7080	Total Other Financing Sources	<u>-</u>	<u>99,540</u>	<u>99,540</u>	<u>-</u>
1200	Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources	<u>244,167</u>	<u>1,455,549</u>	<u>1,756,712</u>	<u>301,163</u>
0100	Fund Balance - September 1 (Beginning)	5,928,475	5,928,475	5,928,475	-
3000	Fund Balance - August 31 (Ending)	<u>\$ 6,172,642</u>	<u>\$ 7,384,024</u>	<u>\$ 7,685,187</u>	<u>\$ 301,163</u>

Statistical Section

Government-wide Information

MANSFIELD INDEPENDENT SCHOOL DISTRICT
GOVERNMENT-WIDE EXPENSES BY FUNCTION
LAST FIVE FISCAL YEARS
(unaudited)

Table I

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
GOVERNMENTAL ACTIVITIES					
Current:					
Instruction	\$ 65,970,915	\$ 78,075,748	\$ 89,017,482	\$ 98,520,031	\$ 108,159,386
Instructional resources & Media Services	1,725,314	1,847,820	2,158,792	2,655,597	2,938,673
Curriculum & Staff Development	1,243,203	1,467,543	1,548,785	1,551,717	2,101,693
Instructional Leadership	960,604	1,194,163	1,439,259	1,515,561	1,644,198
School Leadership	7,262,739	8,725,344	9,761,336	11,722,706	12,988,034
Guidance & Counseling Services	3,432,712	4,136,343	4,853,632	5,693,197	6,251,689
Social Work Services	52,804	54,915	22,562	-	-
Health Services	1,183,173	1,383,833	1,550,873	1,981,895	2,262,622
Student Transportation	3,478,988	3,987,808	4,248,039	4,377,859	5,186,853
Food Service	4,620,144	5,477,450	6,367,375	7,712,525	9,114,489
Extracurricular Activities	2,748,549	3,099,236	3,487,623	4,330,073	4,428,243
General Administration	2,717,270	3,041,352	3,275,262	3,544,630	3,834,351
Plant Maintenance and Operations	10,122,119	11,090,051	13,172,948	16,084,667	17,448,738
Security and Monitoring Services	904,574	1,033,243	1,094,225	1,314,240	1,465,348
Data Processing Services	1,051,949	1,081,643	1,017,428	1,280,561	1,400,922
Community Services	138,743	132,955	166,745	167,110	174,678
Debt Service:					
Interest and fiscal charges	9,217,167	16,402,107	19,822,889	15,795,741	22,944,117
Capital Outlay:					
Facilities Acquisition and Construction	161,623	105,453	-	-	-
Intergovernmental:					
Payments related to shared services arrangements	124,151	77,351	64,778	74,682	109,082
Other					
Transfers to Business-Type Activities					60,000
Total Governmental Activities	<u>117,116,741</u>	<u>142,414,358</u>	<u>163,070,033</u>	<u>178,322,792</u>	<u>202,513,116</u>
BUSINESS-TYPE ACTIVITIES					
Enterprise Fund - Day Care*	n/a	n/a	n/a	n/a	86,444
Enterprise Fund - Natatorium*	n/a	n/a	n/a	n/a	8,190
Total Business-type Activities					<u>94,634</u>
TOTAL PRIMARY GOVERNMENT	<u><u>\$ 117,116,741</u></u>	<u><u>\$ 142,414,358</u></u>	<u><u>\$ 163,070,033</u></u>	<u><u>\$ 178,322,792</u></u>	<u><u>\$ 202,607,750</u></u>

* These activities did not start until fiscal year 2006

MANSFIELD INDEPENDENT SCHOOL DISTRICT
GOVERNMENT-WIDE REVENUES
LAST FIVE FISCAL YEARS
(unaudited)

Table II

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
GOVERNMENTAL ACTIVITIES					
Program Revenues:					
Charges for Services	\$ 4,963,580	\$ 5,968,011	\$ 6,503,566	\$ 7,851,120	8,360,186
Operating Grants and Contributions	16,883,628	23,806,134	26,285,932	25,673,852	34,175,153
General Revenues:					
Property Taxes - General	47,859,537	59,698,432	67,199,679	76,746,234	86,310,970
Property Taxes - Debt Service	11,735,704	13,791,384	15,534,720	18,897,541	22,395,705
State Aid - other than program revenues	41,004,920	44,642,705	45,997,926	48,251,525	52,850,345
Interest Income	2,415,601	1,940,025	1,629,989	3,718,628	6,692,914
Miscellaneous					398,197
Total Governmental Activities	<u>\$ 124,862,970</u>	<u>\$ 149,846,691</u>	<u>\$ 163,151,812</u>	<u>\$ 181,138,900</u>	<u>211,183,470</u>
BUSINESS-TYPE ACTIVITIES					
Program Revenues:					
Charges for Services					
Day Care*					63,156
Natatorium*					-
General Revenues:					
Transfers from Governmental Activities					60,000
Total Business-type Activities	-	-	-	-	<u>123,156</u>
TOTAL PRIMARY GOVERNMENT	<u><u>\$ 124,862,970</u></u>	<u><u>\$ 149,846,691</u></u>	<u><u>\$ 163,151,812</u></u>	<u><u>\$ 181,138,900</u></u>	<u><u>\$ 211,306,626</u></u>

*These activities did not start until fiscal year 2006

Fund Information

MANSFIELD INDEPENDENT SCHOOL DISTRICT
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION *
LAST TEN FISCAL YEARS
(unaudited)

Table III

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Current:										
Instruction	\$ 30,328,225	\$ 33,027,419	\$ 36,648,987	\$ 45,632,990	\$ 53,465,133	\$ 61,670,568	\$ 72,361,079	\$ 82,147,296	\$ 88,059,852	\$ 96,371,503
Instructional resources & Media Services	875,068	917,268	1,060,709	1,103,941	1,210,578	1,414,199	1,502,589	1,651,340	1,923,111	2,119,800
Curriculum & Staff Development	464,207	560,749	670,790	822,389	1,085,244	1,243,203	1,467,543	1,556,921	1,550,062	2,100,038
Instructional Leadership	391,554	392,388	578,953	680,012	794,655	960,604	1,194,163	1,439,259	1,507,031	1,610,077
School Leadership	3,810,850	3,986,246	4,510,237	4,995,721	5,697,530	6,931,586	8,274,469	9,205,656	10,894,427	12,065,484
Guidance & Counseling Services	1,685,064	1,920,000	2,181,803	2,361,941	2,736,671	3,374,318	4,051,135	4,750,986	5,541,629	6,084,630
Social Work Services	3,378	45,150	36,155	45,663	49,828	52,804	54,915	22,562	-	-
Health Services	496,051	604,149	746,232	817,820	945,904	1,147,899	1,339,127	1,490,411	1,884,915	2,152,967
Student Transportation	2,224,422	2,863,204	2,711,635	3,065,113	3,274,449	3,521,523	4,199,607	4,370,256	4,362,250	5,205,418
Food Service	2,290,290	2,654,421	2,728,878	2,996,353	3,503,822	4,031,153	4,752,497	5,550,690	6,362,623	7,568,994
Extracurricular Activities	1,012,659	1,023,885	1,121,156	1,319,740	1,553,222	2,668,980	3,015,889	3,553,068	4,153,704	4,260,065
General Administration	1,506,566	1,942,622	1,886,143	2,036,146	2,217,915	2,694,514	2,935,094	3,159,504	3,323,044	3,606,648
Plant Maintenance and Operations	5,573,336	6,275,723	6,972,213	7,645,915	8,563,642	10,158,044	11,089,513	13,339,468	16,062,429	17,171,844
Security and Monitoring Services	332,855	455,734	467,214	640,245	798,408	912,690	1,007,311	1,152,922	1,322,761	1,439,035
Data Processing Services	211,169	388,379	543,881	615,136	781,931	1,071,483	1,042,037	1,013,350	1,323,546	1,339,072
Community Services	47	27,138	172,744	146,036	169,402	138,743	132,955	200,040	159,024	166,592
Debt Service:										
Principal on long-term debt	3,868,254	4,155,242	6,718,232	7,812,507	8,477,942	4,519,484	6,309,259	8,047,452	7,463,536	9,270,433
Interest and fiscal charges	3,520,734	6,002,464	4,943,295	5,802,106	8,035,696	12,679,930	14,823,072	17,084,699	23,125,309	24,851,615
Capital Outlay:										
Facilities Acquisition and Construction	26,342,655	37,900,022	4,668,456	13,626,443	54,823,695	42,049,534	90,292,794	77,128,451	74,996,033	107,703,799
Intergovernmental:										
Payments related to shared services arrangements		61,355	68,761	89,422	123,446	124,151	77,351	64,778	74,682	109,082
Total Expenditures	<u>\$ 84,937,384</u>	<u>\$ 105,203,558</u>	<u>\$ 79,436,474</u>	<u>\$ 102,255,639</u>	<u>\$ 158,309,113</u>	<u>\$ 161,365,410</u>	<u>\$ 229,922,399</u>	<u>\$ 236,929,109</u>	<u>\$ 254,089,968</u>	<u>\$ 305,197,096</u>

* The above computations include the following funds:
General Fund, Special Revenue Funds, Debt Service Fund
Capital Projects Fund

MANSFIELD INDEPENDENT SCHOOL DISTRICT
GENERAL GOVERNMENTAL REVENUES BY SOURCE *
LAST TEN FISCAL YEARS
(unaudited)

Table IV

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Revenue From Local Sources:										
Property Taxes	\$ 30,615,918	\$ 33,568,360	\$ 37,495,318	\$ 43,559,725	\$ 50,542,844	\$ 59,595,241	\$ 73,500,780	\$ 82,734,399	\$ 95,638,699	\$ 108,706,675
Interest	3,574,622	2,951,709	1,630,849	2,793,524	3,856,235	2,434,815	1,923,774	1,629,989	3,773,973	6,834,602
User charges, tuition, rental and other	2,794,029	3,037,428	3,575,102	4,515,883	4,785,639	5,168,973	6,163,772	6,741,963	8,216,420	9,887,264
Total Revenue From Local Sources	<u>36,984,569</u>	<u>39,557,497</u>	<u>42,701,269</u>	<u>50,869,132</u>	<u>59,184,718</u>	<u>67,199,029</u>	<u>81,588,326</u>	<u>91,106,351</u>	<u>107,629,092</u>	<u>125,428,541</u>
Revenue From State Sources:										
Per Capita and foundation	22,679,985	26,568,020	28,195,302	38,871,937	42,673,619	49,423,580	45,925,025	47,376,095	49,604,797	54,367,412
Other State Revenue	1,942,417	2,617,173	2,962,491	3,842,709	4,873,464	4,895,332	16,436,901	17,198,020	16,999,524	20,930,933
Total Revenue From State Sources	<u>24,622,402</u>	<u>29,185,193</u>	<u>31,157,793</u>	<u>42,714,646</u>	<u>47,547,083</u>	<u>54,318,912</u>	<u>62,361,926</u>	<u>64,574,115</u>	<u>66,604,321</u>	<u>75,298,345</u>
Revenue From Federal Sources:										
Received Direct from Federal Agencies	39,222	43,502	42,729	47,671	50,731	43,615	216,590	129,854	110,343	175,681
Received Through State Agencies	1,920,057	2,321,574	2,341,204	2,576,834	3,135,784	3,860,219	5,316,950	6,693,977	7,558,083	10,730,978
Total Revenue From Federal Sources	<u>1,959,279</u>	<u>2,365,076</u>	<u>2,383,933</u>	<u>2,624,505</u>	<u>3,186,515</u>	<u>3,903,834</u>	<u>5,533,540</u>	<u>6,823,831</u>	<u>7,668,426</u>	<u>10,906,659</u>
Total Revenues	<u>63,566,250</u>	<u>71,107,766</u>	<u>76,242,995</u>	<u>96,208,283</u>	<u>109,918,316</u>	<u>125,421,775</u>	<u>149,483,792</u>	<u>162,504,297</u>	<u>181,901,839</u>	<u>211,633,545</u>

* The above computations include the following funds:
General Fund, Special Revenue Funds, Debt Service Fund
Capital Projects Fund

MANSFIELD INDEPENDENT SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(UNAUDITED)

TABLE V

TAX ROLL FOR FISCAL YEAR	ASSESSED OR APPRAISED VALUATION	TOTAL TAX LEVY (1)	COLLECTED WITHIN FISCAL YEAR OF LEVY		COLLECTIONS IN SUBSEQUENT YEARS (2)	TOTAL COLLECTIONS TO DATE	
			AMOUNT	PERCENT OF LEVY		AMOUNT	PERCENT OF LEVY
1997	\$ 1,888,551,950	\$ 30,027,732	\$ 29,309,534	97.6%	\$ 896,728	\$ 30,206,262	100.6%
1998	1,961,836,317	33,783,085	32,395,880	95.9%	985,663	33,381,543	98.8%
1999	2,156,681,646	37,138,058	36,297,783	97.7%	1,192,870	37,490,653	100.9%
2000	2,493,242,632	42,121,968	41,404,928	98.3%	1,311,260	42,716,188	101.4%
2001	2,973,741,285	49,577,507	48,414,541	97.7%	1,589,949	50,004,490	100.9%
2002	3,520,513,536	58,178,619	57,010,427	98.0%	1,813,266	58,823,693	101.1%
2003	4,197,906,445	69,779,707	69,452,461	99.5%	2,013,317	71,465,778	102.4%
2004	4,782,448,164	79,460,380	79,441,297	100.0%	1,962,120	81,403,417	102.4%
2005	5,403,399,519	91,584,060	90,637,869	99.0%	1,326,135	91,964,004	100.4%
2006	6,038,031,204	105,594,177	104,764,183	99.2%	0	104,764,183	99.2%
Total		<u>\$ 597,245,293</u>	<u>\$ 589,128,903</u>	98.6%	<u>\$ 13,091,308</u>	<u>\$ 602,220,211</u>	100.8%

(1) Original levy, does not include adjustments.

(2) Amounts are total collections net of adjustments, and do NOT include penalties and interest.

MANSFIELD INDEPENDENT SCHOOL DISTRICT
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES
LAST TEN FISCAL YEARS
(unaudited)

Table VI

Year Ended	Debt Service Expenditures			Total General Governmental Expenditures *	Ratio of Debt Service to General Governmental Fund Types Expenditures (Percent)
	Principal	Interest and Fiscal Charges	Total		
August 31					
1996	\$ 3,619,508	\$ 2,568,471	\$ 6,187,979	\$ 47,155,777	13.12%
1997	3,868,254	3,520,734	7,388,988	84,937,384	8.70%
1998	4,155,242	6,002,464	10,157,706	105,203,558	9.66%
1999	6,718,232	4,943,295	11,661,527	79,436,474	14.68%
2000	7,812,507	5,802,106	13,614,613	102,255,639	13.31%
2001	8,477,942	8,035,696	16,513,638	158,309,113	10.43%
2002	4,519,484	12,679,930	17,199,414	161,365,410	10.66%
2003	6,309,259	14,823,072	21,132,331	229,922,399	9.19%
2004	8,047,452	17,084,699	25,132,151	236,929,109	10.61%
2005	7,463,536	22,318,553	29,782,089	254,089,968	11.72%
2006	9,270,433	23,868,665	33,139,098	305,197,096	10.86%

* Includes the following funds:
General Fund, Special Revenue Funds
Debt Service Fund, Capital Projects Fund

MANSFIELD INDEPENDENT SCHOOL DISTRICT
TEN LARGEST TAXPAYERS
AUGUST 31, 2006
(UNAUDITED)

Table VII

Name of Taxpayer	Nature of Property	Fiscal 2006			Fiscal 1996		
		2006 Taxable Assessed Valuation	Percent of Total Taxable Assessed Valuation ¹	Rank	1996 Taxable Assessed Valuation	Percent of Total Taxable Assessed Valuation ²	Rank
TXU Electric Delivery Company	Electric Utility	\$ 72,164,371	1.08%	1	\$ 30,802,862	1.63%	1
WalMart Stores, Inc.	Retail Store	51,769,913	0.78%	2	25,246,935	1.34%	2
Mansfield KDC LP	Apartment Manager	26,113,710	0.39%	3			
Solvay/D & S Plastics	Plastics Manufacturer	22,874,888	0.34%	4	21,383,230	1.13%	4
Pier One Imports of Texas	Retail Store	19,945,654	0.30%	5	23,091,172	1.22%	3
Southwestern Bell	Telephone Utility	18,174,811	0.27%	6	13,701,070	0.73%	7
F S Town Crossing LP Etal	Apartment Manager	17,579,831	0.26%	7			
Spyglass of Mansfield LTD	Apartment Manager	17,337,969	0.26%	8			
Target Corporation	Retail Store	16,898,370	0.25%	9			
Mansfield Commons LTD	Apartment Manager	16,383,475	0.25%	10			
Southwest Real Estate Ltd. Partnership	Real Estate Developer				18,764,472	0.99%	5
Portion-Trol Foods, Inc.	Food Processing Manufacturer				14,105,643	0.75%	6
LTV Energy Products Company	Aircraft Parts				13,092,768	0.69%	8
Wimbledon Partners Ltd.	Real Estate Developer				6,145,300	0.33%	9
Albertson's Inc.	Retail Store				5,968,686	0.32%	10
		<u>\$ 279,242,992</u>	<u>4.19%</u>		<u>\$ 172,302,138</u>	<u>9.13%</u>	

¹ July 25, 2006 Taxable Value \$6,664,503,281

² July 25, 1996 Taxable Value \$1,889,070,382

Source: Tax information obtained from Tarrant Appraisal District

MANSFIELD INDEPENDENT SCHOOL DISTRICT
 INSTRUCTIONAL BUILDING INFORMATION
 YEAR ENDED AUGUST 31, 2006
 (UNAUDITED)

District Geographic Area: 94.5 square miles

Table VIII

	Constructed	Building - Sq. Ft.	Acreage
<u>Elementary Schools:</u>			
Alice Ponder Elementary	1967	77,641	12.120
Tarver Rendon Elementary	1969	71,047	17.500
J.L. Boren Elementary	1979	57,241	16.197
Charlotte Anderson Elementary	1986	69,947	10.340
Glenn Harmon Elementary	1988	74,081	10.500
Willie Brown Elementary	1998	65,885	16.000
D.P. Morris Elementary	1998	65,885	10.000
Kenneth Davis Elementary	2001	72,256	17.238
Imogene Gideon Elementary	2001	72,256	12.482
Thelma Jones Elementary	2003	77,038	16.592
Roberta Tipps Elementary	2003	77,038	15.075
Erma Nash Elementary (New)	2003	84,631	18.751
Elizabeth Smith Elementary	2004	77,038	13.316
Martha Reid Elementary	2004	77,038	12.500
Mary Jo Sheppard Elementary	2005	79,070	12.150
Janet Brockett Elementary	2005	79,070	12.758
Anna May Daulton Elementary	2006	79,274	12.200
Cora Spencer Elementary	2006	79,274	12.004
<u>Intermediate Schools:</u>			
Cross Timbers Intermediate	1994	108,000	16.637
Mary Orr Intermediate	1998	110,229	44.000
Donna Shepard Intermediate	2001	116,794	23.800
Della Icenhower Intermediate	2004	122,600	32.977
Mary Lillard Intermediate	2006	128,340	50.000
<u>Middle Schools:</u>			
Brooks Wester Middle	1974	251,151	56.000
Rogene Worley Middle	1986	126,689	27.310
T.A. Howard Middle	1994	130,000	41.000
Danny Jones Middle	2004	160,000	40.110
James L. Coble Middle	2006	164,719	40.455
<u>Senior High Schools:</u>			
ACE Campus (Old Erma Nash Bldg)	1952	64,021	11.040
Summit High	1995	370,000	60.141
Mansfield High	2002	390,000	69.991
Timberview High	2004	416,000	75.340
Ben Barber Career Tech Academy	2005	180,964	13.300
<u>Sites Under Construction:</u>			
Legacy High		426,650	69.069
Carol Holt Elementary		79,274	12.000

MANSFIELD INDPENDENT SCHOOL DISTRICT
CAMPUS ENROLLMENT BY GRADE LEVEL
LAST TEN FISCAL YEARS

Table IX

Campus	Grade	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Alice Ponder Elementary											
	Early Childhood	10	12	9	9	13	7	9	3	9	11
	Pre-Kindergarten	34	31	22	27	28	23	46	43	47	70
	Kindergarten	128	147	123	142	134	118	130	148	178	96
	Grade 1	147	144	153	140	155	137	122	149	171	92
	Grade 2	127	148	139	157	146	152	152	130	163	80
	Grade 3	133	154	150	142	162	118	165	151	150	85
	Grade 4	134	140	154	161	151	161	120	161	175	77
	TOTAL	713	776	750	778	789	716	744	785	893	511
Tarver Rendon Elementary											
	Early Childhood	6	5	-	-	-	5	11	6	5	10
	Pre-Kindergarten	22	22	30	22	14	24	37	27	24	36
	Kindergarten	109	86	95	91	97	105	91	98	105	96
	Grade 1	116	95	92	96	123	98	117	82	90	104
	Grade 2	127	116	101	92	102	116	103	120	83	90
	Grade 3	119	113	122	104	94	107	114	107	110	84
	Grade 4	125	112	107	119	103	92	114	121	101	105
	TOTAL	624	549	547	524	533	547	587	561	518	525
J.L. Boren Elementary											
	Early Childhood	8	7	6	12	-	-	10	-	-	-
	Pre-Kindergarten	17	14	-	-	-	-	-	-	-	-
	Kindergarten	164	174	128	117	138	152	128	155	137	122
	Grade 1	176	184	112	127	141	153	154	141	151	136
	Grade 2	189	198	111	121	142	152	153	161	149	151
	Grade 3	190	199	122	130	138	151	154	158	166	155
	Grade 4	190	191	127	137	144	148	152	149	154	162
	TOTAL	934	967	606	644	703	756	751	764	757	726
Charlotte Anderson Elementary											
	Early Childhood	5	7	14	8	8	11	9	8	9	10
	Pre-Kindergarten	22	21	6	18	15	15	23	20	18	27
	Kindergarten	132	147	117	145	130	127	152	164	135	141
	Grade 1	138	147	125	128	159	131	143	154	163	143
	Grade 2	153	152	122	139	147	151	139	141	154	172
	Grade 3	143	173	137	132	151	138	155	152	145	163
	Grade 4	169	160	153	144	140	153	141	161	154	148
	TOTAL	762	807	674	714	750	726	762	800	778	804
Glenn Harmon Elementary											
	Early Childhood	9	11	14	12	10	3	5	14	18	11
	Pre-Kindergarten	44	47	33	40	43	40	58	63	89	72
	Kindergarten	204	202	172	174	185	132	136	158	148	179
	Grade 1	162	239	172	170	194	128	147	149	159	153
	Grade 2	196	165	190	169	177	130	142	163	159	160
	Grade 3	169	207	146	183	177	147	146	137	170	173
	Grade 4	173	173	188	167	209	134	182	173	151	175
	TOTAL	957	1,044	915	915	995	714	816	857	894	923
Erma Nash Elementary											
	Pre-Kindergarten	51	38	43	43	31	35	48	44	44	46
	Kindergarten	113	141	89	121	122	107	116	149	149	135
	Grade 1	159	133	142	111	124	124	111	116	128	148
	Grade 2	149	164	108	135	108	136	134	122	109	126
	Grade 3	124	159	141	115	130	115	142	145	124	118
	Grade 4	145	139	139	143	120	131	128	143	144	130
	TOTAL	741	774	662	668	635	648	679	719	698	703
Willie Brown Elementary (Opened FY 1999)											
	Early Childhood	-	-	-	-	8	8	8	7	9	6
	Pre-Kindergarten	-	-	-	-	12	9	24	28	13	13
	Kindergarten	-	-	81	127	148	140	147	199	88	97
	Grade 1	-	-	91	101	132	133	163	182	89	102
	Grade 2	-	-	86	109	115	139	162	192	90	106
	Grade 3	-	-	96	102	141	109	154	196	113	102
	Grade 4	-	-	98	111	121	133	127	191	122	113
	TOTAL	-	-	452	550	677	671	785	995	524	539

MANSFIELD INDPENDENT SCHOOL DISTRICT
 CAMPUS ENROLLMENT BY GRADE LEVEL
 LAST TEN FISCAL YEARS

Table IX

Campus	Grade	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<i>D.P. Morris Elementary (Opened FY 1999)</i>											
	Early Childhood			-	12	14	8	13	6	7	6
	Pre-Kindergarten			18	26	37	24	41	24	47	38
	Kindergarten			113	144	187	151	163	154	128	127
	Grade 1			112	154	190	129	183	131	157	135
	Grade 2			118	145	194	123	174	140	128	164
	Grade 3			101	145	188	150	175	135	149	131
	Grade 4			76	140	187	147	177	144	145	155
	TOTAL	-	-	538	766	997	732	926	734	761	756
<i>Kenneth Davis Elementary (Opened FY 2002)</i>											
	Early Childhood						9	10	5	11	10
	Pre-Kindergarten						42	35	44	43	47
	Kindergarten						150	136	122	139	181
	Grade 1						154	165	120	128	170
	Grade 2						146	149	161	123	146
	Grade 3						109	157	138	164	150
	Grade 4						116	113	152	134	176
	TOTAL	-	-	-	-	-	726	765	742	742	880
<i>Imogene Gideon Elementary (Opened FY2003)</i>											
	Early Childhood						6	-	-	-	-
	Pre-Kindergarten						26	53	28	39	33
	Kindergarten						147	211	144	137	97
	Grade 1						137	191	155	151	93
	Grade 2						123	187	138	146	99
	Grade 3						125	175	131	121	113
	Grade 4						126	173	140	124	84
	TOTAL	-	-	-	-	-	690	990	736	718	519
<i>Thelma Jones Elementary (Opened FY 2004)</i>											
	Early Childhood								5	4	9
	Pre-Kindergarten								29	26	45
	Kindergarten								88	112	144
	Grade 1								100	106	139
	Grade 2								87	111	138
	Grade 3								101	102	138
	Grade 4								78	116	124
	TOTAL	-	-	-	-	-	-	-	488	577	737
<i>Roberta Tipps Elementary (Opened FY 2004)</i>											
	Early Childhood								10	6	8
	Pre-Kindergarten								19	21	29
	Kindergarten								84	122	124
	Grade 1								67	105	133
	Grade 2								82	94	122
	Grade 3								74	107	100
	Grade 4								65	97	128
	TOTAL	-	-	-	-	-	-	-	401	552	644
<i>Elizabeth Smith Elementary (Opened FY 2005)</i>											
	Pre-Kindergarten									10	16
	Kindergarten									81	131
	Grade 1									92	118
	Grade 2									81	142
	Grade 3									79	114
	Grade 4									66	120
	TOTAL	-	-	-	-	-	-	-	-	409	641
<i>Martha Reid Elementary (Opened FY 2005)</i>											
	Early Childhood									5	7
	Pre-Kindergarten									17	34
	Kindergarten									108	117
	Grade 1									98	142
	Grade 2									94	127
	Grade 3									71	118
	Grade 4									85	97
	TOTAL	-	-	-	-	-	-	-	-	478	642

MANSFIELD INDEPENDENT SCHOOL DISTRICT
CAMPUS ENROLLMENT BY GRADE LEVEL
LAST TEN FISCAL YEARS

Table IX

Campus	Grade	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Mary Jo Sheppard Elementary (Opened FY 2006)											
	Kindergarten										98
	Grade 1										104
	Grade 2										102
	Grade 3										92
	Grade 4										97
	TOTAL	-	-	-	-	-	-	-	-	-	493
Janet Brockett Elementary (Opened FY 2006)											
	Early Childhood										6
	Pre-Kindergarten										28
	Kindergarten										67
	Grade 1										78
	Grade 2										81
	Grade 3										73
	Grade 4										58
	TOTAL	-	-	-	-	-	-	-	-	-	391
ELEMENTARY SCHOOL TOTAL		4,731	4,917	5,144	5,559	6,079	6,926	7,805	8,582	9,299	10,434
Cross Timbers Intermediate											
	Grade 5	498	484	503	544	611	538	543	589	662	608
	Grade 6	463	496	505	523	603	494	573	555	615	668
	TOTAL	961	980	1,008	1,067	1,214	1,032	1,116	1,144	1,277	1,276
Mary Orr Intermediate											
	Grade 5	412	459	468	570	653	447	606	639	448	515
	Grade 6	458	459	468	530	650	448	540	687	438	509
	TOTAL	870	918	936	1,100	1,303	895	1,146	1,326	886	1,024
Donna Shepard Intermediate (Opened FY 2002)											
	Grade 5						353	367	343	429	450
	Grade 6						442	382	393	377	434
	TOTAL	-	-	-	-	-	795	749	736	806	884
Della Icenhower Intermediate (Opened FY 2005)											
	Grade 5									311	427
	Grade 6									287	385
	TOTAL	-	-	-	-	-	-	-	-	598	812
INTERMEDIATE SCHOOL TOTAL		1,831	1,898	1,944	2,167	2,517	2,722	3,011	3,206	3,567	3,996
Brooks Wester Middle (Opened FY 2003)											
	Grade 7							577	658	448	513
	Grade 8							513	645	461	485
	Total	-	-	-	-	-	-	1,090	1,303	909	998
Rogene Worley Middle											
	Grade 7	411	527	474	533	605	761	461	414	431	413
	Grade 8	407	414	545	516	588	694	410	475	434	442
	Total	818	941	1,019	1,049	1,193	1,455	871	889	865	855
T.A. Howard Middle											
	Grade 7	449	451	516	537	573	637	541	597	616	655
	Grade 8	386	433	486	538	571	610	602	568	601	639
	Total	835	884	1,002	1,075	1,144	1,247	1,143	1,165	1,217	1,294
Danny Jones Middle (Opened FY 2005)											
	Grade 7									312	357
	Grade 8									281	385
	Total	-	-	-	-	-	-	-	-	593	742
MIDDLE SCHOOL TOTAL		1,653	1,825	2,021	2,124	2,337	2,702	3,104	3,357	3,584	3,889

MANSFIELD INDEPENDENT SCHOOL DISTRICT
CAMPUS ENROLLMENT BY GRADE LEVEL
LAST TEN FISCAL YEARS

Table IX

Campus	Grade	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Mansfield High											
	Grade 9	859	927	994	1,208	1,297	1,463	706	819	775	732
	Grade 10	759	783	794	833	1,084	1,235	585	636	687	657
	Grade 11	535	643	726	778	816	1,033	494	549	555	637
	Grade 12	451	502	597	666	721	735	660	481	481	506
	TOTAL	2,604	2,855	3,111	3,485	3,918	4,466	2,445	2,485	2,498	2,532
Summit High (Opened FY 2003)											
	Grade 9							968	1,052	682	777
	Grade 10							810	876	637	670
	Grade 11							636	765	543	640
	Grade 12							263	588	598	534
	TOTAL	-	-	-	-	-	-	2,677	3,281	2,460	2,621
Timberview High (Opened FY 2005)											
	Grade 9									565	748
	Grade 10									445	533
	Grade 11									373	452
	Grade 12									123	343
	TOTAL	-	-	-	-	-	-	-	-	1,506	2,076
ACE Campus											
	Grade 4	-	-	1	-	-	-	-	-	-	-
	Grade 5	-	-	-	1	-	-	-	-	-	-
	Grade 6	-	-	1	-	-	-	-	-	-	-
	Grade 7	2	1	2	6	-	-	-	-	-	-
	Grade 8	4	1	1	3	-	-	-	-	-	-
	Grade 9	6	8	22	8	2	-	1	1	-	-
	Grade 10	16	19	27	14	1	12	3	8	6	-
	Grade 11	29	38	28	34	24	25	22	29	28	32
	Grade 12	9	20	23	20	10	11	25	15	31	29
	TOTAL	66	87	105	86	37	48	51	53	65	61
Other Campus' (JJAEP, Center for Behavior Mgmt, ABIDE, Oak Grove Residential)											
	Grade 1	3	-	-	-	-	-	-	-	-	-
	Grade 2	-	-	1	-	-	-	-	-	-	-
	Grade 3	3	1	1	-	-	-	-	-	-	-
	Grade 4	3	3	1	-	-	-	-	-	-	-
	Grade 5	-	-	6	-	-	-	-	-	-	-
	Grade 6	3	1	1	-	-	-	-	-	-	-
	Grade 7	4	-	2	1	-	1	-	1	-	-
	Grade 8	8	1	3	-	-	1	3	-	1	-
	Grade 9	9	9	11	-	-	-	4	2	-	2
	Grade 10	4	3	8	1	-	-	-	-	1	5
	Grade 11	2	1	2	-	-	-	-	-	-	1
	Grade 12	1	-	2	-	-	-	-	-	-	-
	TOTAL	40	19	38	2	-	2	7	3	2	8
HIGH SCHOOL TOTAL											
		2,710	2,961	3,254	3,573	3,955	4,516	5,180	5,822	6,531	7,298
District Total											
	Early Childhood	38	42	43	53	53	57	75	64	83	94
	Pre-Kindergarten	190	173	152	176	180	238	365	369	438	534
	Kindergarten	850	897	918	1,061	1,141	1,329	1,410	1,663	1,767	1,952
	Grade 1	901	942	999	1,027	1,218	1,324	1,496	1,546	1,788	1,990
	Grade 2	941	943	976	1,067	1,131	1,368	1,495	1,637	1,684	2,010
	Grade 3	881	1,006	1,016	1,053	1,181	1,269	1,537	1,625	1,771	1,905
	Grade 4	939	918	1,044	1,122	1,175	1,341	1,427	1,678	1,768	1,949
	Grade 5	910	943	977	1,115	1,264	1,338	1,516	1,571	1,850	2,000
	Grade 6	922	955	975	1,051	1,253	1,384	1,495	1,635	1,717	1,996
	Grade 7	867	979	994	1,079	1,178	1,398	1,579	1,670	1,807	1,938
	Grade 8	805	850	1,035	1,057	1,159	1,305	1,528	1,688	1,778	1,951
	Grade 9	875	944	1,027	1,216	1,299	1,464	1,679	1,872	2,022	2,259
	Grade 10	779	805	829	848	1,085	1,247	1,398	1,522	1,776	1,865
	Grade 11	566	682	756	812	840	1,058	1,152	1,343	1,499	1,762
	Grade 12	461	522	622	686	731	746	948	1,084	1,233	1,412
	TOTAL	10,925	11,601	12,363	13,423	14,888	16,866	19,100	20,967	22,981	25,617

Source: Texas Education Agency AEIS report

MANSFIELD INDEPENDENT SCHOOL DISTRICT
MEALS SERVED BY CAMPUS
FOR THE YEAR ENDED AUGUST 31, 2006
(unaudited)

Table X

Campus	School Lunch Program				School Breakfast Program			
	Regular Type A	Reduced Type A	Free Type A	Total	Regular Type A	Reduced Type A	Free Type A	Total
High School								
Summit	93,381	11,532	46,457	151,370	6,565	2,511	16,953	26,029
Mansfield	53,125	9,138	38,649	100,912	7,649	6,280	42,396	56,325
Timberview	74,297	17,093	58,879	150,269	6,436	6,590	42,610	55,636
AEC	4,745	953	4,886	10,584	804	506	3,020	4,330
Ben Barber	23,337	4,180	13,916	41,433	4,244	2,036	7,186	13,466
Total	248,885	42,896	162,787	454,568	25,698	17,923	112,165	155,786
Middle School								
Worley	51,862	13,344	44,651	109,857	3,448	4,740	33,610	41,798
Howard	77,110	12,454	52,321	141,885	7,976	3,331	22,328	33,635
Wester	59,929	5,325	11,675	76,929	4,274	1,506	4,252	10,032
D. Jones	53,625	9,152	24,891	87,668	11,805	3,689	15,220	30,714
Coble	5,381	960	3,063	9,404	437	135	888	1,460
Total	247,907	41,235	136,601	425,743	27,940	13,401	76,298	117,639
Intermediate School								
Orr	77,728	5,822	16,407	99,957	5,988	1,198	6,125	13,311
Timbers	77,228	16,805	54,852	148,885	5,987	4,079	25,732	35,798
D. Shepard	52,294	13,297	42,425	108,016	6,061	8,224	46,936	61,221
Icenhower	69,305	12,092	27,647	109,044	9,280	4,057	13,760	27,097
Lillard	3,471	299	864	4,634	346	66	354	766
Total	280,026	48,315	142,195	470,536	27,662	17,624	92,907	138,193
Elementary School								
Ponder	18,559	4,971	34,959	58,489	2,577	4,058	42,322	48,957
Rendon	27,914	7,329	18,812	54,055	4,535	5,988	26,172	36,695
Boren	48,757	1,402	5,842	56,001	2,233	312	1,914	4,459
Anderson	42,421	3,511	13,907	59,839	3,008	1,006	4,939	8,953
Harmon	42,824	16,558	56,035	115,417	5,259	8,096	44,416	57,771
Morris	39,600	8,360	32,404	80,364	6,163	7,202	54,170	67,535
Brown	40,420	4,938	7,954	53,312	4,242	2,097	4,975	11,314
Davis	47,750	12,152	44,860	104,762	5,134	6,370	36,598	48,102
Gideon	34,554	6,302	20,851	61,707	4,766	2,602	9,989	17,357
Nash	28,024	13,463	63,585	105,072	3,559	9,376	70,326	83,261
Smith	54,901	2,299	8,283	65,483	6,651	522	5,762	12,935
Tipps	44,182	5,766	13,303	63,251	3,659	1,177	6,988	11,824
Reid	50,594	7,172	13,804	71,570	4,409	2,073	3,871	10,353
T. Jones	47,334	13,778	27,567	88,679	7,339	9,144	35,988	52,471
M. J. Sheppard	33,755	5,352	15,178	54,285	4,237	1,443	8,481	14,161
Brockett	28,050	5,719	12,711	46,480	3,781	1,954	5,298	11,033
Daulton	2,188	93	228	2,509	248	30	109	387
Spencer	1,438	22	213	1,673	232	3	49	284
Total	633,265	119,187	390,496	1,142,948	72,032	63,453	362,367	497,852
District Total	1,410,083	251,633	832,079	2,493,795	153,332	112,401	643,737	909,470

MANSFIELD INDEPENDENT SCHOOL DISTRICT
 ECONOMICALLY DISADVANTAGE PER CAMPUS
 LAST TEN FISCAL YEARS
 (UNAUDITED)

Table XI

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<u>Elementary Schools:</u>										
Alice Ponder	27.9%	26.0%	28.9%	30.1%	27.1%	32.4%	36.3%	39.4%	38.6%	56.9%
Tarver Rendon	32.7%	31.0%	33.6%	35.7%	32.6%	32.4%	37.3%	37.4%	36.5%	38.1%
J.L. Boren	13.9%	11.2%	4.5%	2.6%	2.0%	4.4%	3.5%	5.8%	5.7%	7.0%
Charlotte Anderson	13.1%	11.4%	8.2%	9.7%	11.1%	8.3%	11.7%	12.3%	13.0%	16.8%
Glenn Harmon	19.1%	16.8%	18.8%	22.5%	23.0%	36.0%	42.5%	43.3%	49.6%	53.7%
Erma Nash	52.0%	48.7%	51.1%	57.2%	53.9%	58.3%	58.9%	61.5%	66.2%	68.1%
Willie Brown			12.8%	11.8%	9.3%	7.7%	11.0%	13.3%	17.2%	15.6%
D.P. Morris			19.3%	19.7%	18.2%	18.6%	21.5%	30.0%	36.0%	36.8%
Kenneth Davis						26.2%	29.3%	29.2%	31.8%	42.0%
Imogene Gideon						19.0%	26.3%	26.1%	27.2%	34.1%
Thelma Jones								32.6%	32.9%	36.8%
Roberta Tipps								12.7%	16.5%	21.7%
Martha Reid									8.3%	12.3%
Elizabeth Smith									12.8%	19.9%
Mary Jo Sheppard										24.1%
Janet Brockett										34.0%
<u>Intermediate Schools:</u>										
Cross Timbers	18.1%	17.2%	17.0%	17.8%	18.0%	21.6%	24.7%	27.6%	28.8%	35.4%
Mary Orr	23.0%	23.5%	20.2%	20.5%	19.0%	10.3%	13.9%	15.5%	10.3%	13.1%
Donna Shepard						33.7%	37.1%	40.9%	40.2%	38.1%
Della Icenhower									24.9%	27.8%
<u>Middle Schools:</u>										
Brooks Wester	20.8%	18.4%	17.4%	17.4%	16.3%	18.6%	12.3%	14.4%	10.9%	10.6%
Rogene Worley	15.7%	13.1%	15.7%	17.6%	17.3%	19.4%	32.3%	34.3%	37.5%	38.8%
T.A. Howard							20.9%	24.9%	27.9%	32.9%
Danny Jones										29.2%
<u>High Schools:</u>										
Mansfield	9.2%	9.7%	8.8%	7.9%	10.4%	12.2%	11.8%	15.2%	16.3%	18.9%
Summit							18.3%	19.6%	15.2%	14.8%
Timberview									28.8%	17.8%
ACE Campus	10.6%	17.2%	8.6%	22.1%	13.5%	29.2%	27.5%	15.1%	26.2%	12.5%
District	28.2%	18.0%	17.2%	17.8%	17.2%	19.6%	22.4%	24.2%	25.3%	28.2%

Source: Texas Education Agency AEIS report

Federal Awards Section

MANSFIELD INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED AUGUST 31, 2006

Federal Grantor/ Pass-Through Grantor/ Program, or Cluster Title	Federal CFDA Number	Grant Number	Federal Expenditures
U. S. DEPARTMENT OF DEFENSE			
Direct Programs—			
ROTC	12.XXX		\$ 175,681
Total Direct Programs			<u>175,681</u>
TOTAL U. S. DEPARTMENT OF DEFENSE			<u>175,681</u>
U. S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education:			
ESEA Title I, Part A - Improving Basic Programs	84.010A	6610101220908	930,820
ESEA Title II, Part A	84.367	6694501220908	342,048
ESEA Title III, Part A Limited English	84.365	6671001220908	176,028
* IDEA - Part B, Capacity Building & Improvement	84.027	66600042209086604	20,079
* IDEA - Part B, Formula	84.027	66600012209086600	2,888,476
* IDEA - Part B, Preschool	84.173	66610012209086610	35,863
Federal Career Tech Grant (Carl D. Perkins Grant)	84.048A	642000622090811	115,972
ESEA Title IV - Safe and Drug-Free Schools	84.186A	6691001220908	80,500
ESEA Title V - Innovative Education	84.298	6685001220908	65,379
ESEA Title VI Part A Summer School LEP	84.369A	220908	27,450
Temporary Emergency Aid Grant	84.938C	6520301220908	1,140,938
Total Passed Through State Department of Education			<u>5,823,553</u>
TOTAL U. S. DEPARTMENT OF EDUCATION			<u>5,823,553</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Programs—			
Medicaid Administrative Claiming Program - MAC	93.778		19,413
Total Direct Programs			<u>19,413</u>
TOTAL U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>19,413</u>
U. S. DEPARTMENT OF AGRICULTURE			
Direct Programs—			
* USDA Donated Commodities	10.550		388,522
Total Direct Programs			<u>388,522</u>
Passed Through State Department of Education:			
* National School Breakfast Program	10.553		641,496
* National School Lunch Program	10.555		2,731,083
Total Passed Through State Department of Education			<u>3,372,579</u>
TOTAL U. S. DEPARTMENT OF AGRICULTURE			<u>3,761,101</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 9,779,748</u>

*Clustered programs under OMB Circular A-133

See notes to Schedule of Expenditures of Federal Awards.

MANSFIELD INDEPENDENT SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED AUGUST 31, 2006

1. The District utilizes the funds specified in the *Texas Education Agency Resource Guide*.

Special Revenue Funds—are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state awards generally are accounted for in the General Fund and in Special Revenue Funds. Generally, unused balances are returned to the grantor at the close of specified project periods.

2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Funds are accounted for using a current financial resources measurement focus. All federal grant funds were accounted for in the General Fund and Special Revenue Funds, components of the Governmental Funds. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for the Governmental Funds; accordingly, the Schedule of Expenditures of Federal Awards was prepared under this basis of accounting, which requires that revenues are recognized in the accounting period in which they become susceptible to accrual; i.e., both measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for interest on Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extends 30 days beyond the federal project period ending date in accordance with provisions in Section H Period of Availability of Federal Funds, Part 3, OMB Circular A-133 *Compliance Supplement*.
4. Funds were received by the District for school health and related services reimbursements. However, such reimbursements are not considered federal awards and are not included in the schedule of expenditures of federal awards.

* * * * *

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

To the Board of Trustees of the
Mansfield Independent School District:

We have audited the basic financial statements of the Mansfield Independent School District (the "District") as of and for the year ended August 31, 2006, and have issued our report thereon dated January 18, 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 in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. A material weakness is a condition in which the design or operation of one or more of the specific internal control components does not reduce to a relatively low level the risk that errors or misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. We noted no matters involving internal control over financial reporting and its operation that we consider material weaknesses. However, we noted other matters involving internal control over financial reporting that we have reported to management in a separate letter dated January 18, 2007.

This report is intended solely for the information and use of the Board of Trustees, management, federal awarding agencies, the Texas Education Agency, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Deloitte & Touche LLP

January 18, 2007

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

To the Board of Trustees of the
Mansfield Independent School District:

Compliance

We have audited the compliance of the Mansfield Independent School District (the "District") with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 2006. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion of the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2006.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

This report is intended solely for the information and use of the Board of Trustees, management, federal awarding agencies, the Texas Education Agency, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Deloitte & Touche LLP

January 18, 2007

MANSFIELD INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED AUGUST 31, 2006

I. SUMMARY OF AUDITORS' RESULTS:

1. Type of auditors' report issued on the financial statements: Unqualified.
2. No findings in internal control over financial reporting were required to be reported.
3. Noncompliance which is material to the financial statements: None.
4. No internal control findings required to be reported in this schedule were disclosed in the audit of compliance of the major programs.
5. Type of auditors' report on compliance for major programs: Unqualified.
6. Did the audit disclose findings which are required to be reported under Sec. 510(a): No.
7. Major programs include:
 - Child Nutrition Cluster: National School Lunch Program– CFDA 10.555 and National School Breakfast Program – CFDA 10.553
 - ESEA Title I, Part A – CFDA 84.010A
 - Emergency Impact Aid – CFDA 84.938C
8. Dollar threshold used to distinguish between Type A and Type B programs: \$300,000
9. Low risk auditee: Yes.

II. FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

No findings related to the audit of the financial statements were required to be reported.

III. FINDINGS AND QUESTIONED COSTS RELATED TO THE FEDERAL AWARDS:

No findings related to the audit of federal awards were required to be reported.

IV. FINDINGS AND QUESTIONED COSTS REPORTED IN THE PRIOR YEAR:

None.