

SPRINGTOWN INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2007

Introductory Section

Springtown Independent School District
Annual Financial Report
For The Year Ended August 31, 2007

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CERTIFICATE OF BOARD

Springtown Independent School District
Name of School District

Parker
County

184-902
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) approved disapproved for the year ended August 31, 2007, at a meeting of the board of trustees of such school district on the 17th day of DECEMBER, 2007

Amy Walker
Signature of Board Secretary

Jim Roga
Signature of Board President

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

Financial Section



Snow, Garrett & Company

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Financial Statements

Board of Trustees
Springtown Independent School District
101 E. Second Street
Springtown, Texas 76082

Members of the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Springtown Independent School District as of and for the year ended August 31, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Springtown Independent School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Springtown Independent School District as of August 31, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2007, on our consideration of Springtown Independent School District's internal control over financial reporting and on 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.

The Management's Discussion and Analysis and the budgetary comparison information identified as Required Supplementary Information in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements which collectively comprise the Springtown Independent School District's basic financial statements. The accompanying schedule of expenditures of federal awards required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the supporting schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the 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.

Respectfully submitted,

Snow, Garrett & Company
October 30, 2007

Management's Discussion and Analysis (Unaudited)

As management of the District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended August 31, 2007. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent period by \$10,520,802 (*net assets*). Of this amount, \$7,058,983 (*unrestricted net assets*) may be used to meet the District's ongoing obligations.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$7,329,716. Approximately 77 percent of this total amount, \$5,645,669, is *available for spending* at the government's discretion (*unreserved, undesignated fund balance*).
- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$5,645,669, or 23 percent of the total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide 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 of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the District's government-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 or a significant portion of their costs through user fees and charges. The District has no *business-type activities* and no component units for which it is financially accountable. The government-wide financial statements can be found on pages 8-9 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The fund financial statements provide more detailed information about the District's most significant funds-not the District as a whole.

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

All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

- **Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows*

and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The District adopts an annual appropriated budget for its general fund, debt service fund and food service fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 10-13 of this report.

- **Fiduciary funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District is the trustee, or *fiduciary*, for these funds and 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 that can be found on page 14.
- **Notes to the financial statements.** The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15-24 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements. Required supplementary information can be found on page 25 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$10,520,802 as of August 31, 2007.

The District's Net Assets

	<u>August 31, 2007</u>	<u>August 31, 2006</u>
Current assets	\$ 8,961,140	\$ 14,263,273
Capital assets	<u>37,989,951</u>	<u>32,271,561</u>
Total assets	<u>46,951,091</u>	<u>46,534,834</u>
Current liabilities	2,286,658	2,300,365
Long-term liabilities outstanding	<u>34,143,631</u>	<u>34,270,050</u>
total liabilities	<u>36,430,289</u>	<u>36,570,415</u>
Net assets:		
Invested in capital assets, net of related debt	2,398,011	(3,478,432)
Restricted	1,063,808	6,806,941
Unrestricted	<u>7,058,983</u>	<u>6,635,910</u>
Total net assets	<u>\$ 10,520,802</u>	<u>\$ 9,964,419</u>

Investment in capital assets (e.g., land, buildings, furniture and equipment, and construction in progress) less any related debt used to acquire those assets that is still outstanding is \$2,398,011. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional \$1,063,808 of the District's net

assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$7,058,983) may be used to meet the District's ongoing obligations. This surplus is not an indication that the District has significant resources available to meet financial obligations next year, but rather the result of having *long-term* commitments that are less than currently available resources.

Governmental activities. The District's total net assets increased by \$556,385. The total cost of all *governmental activities* this year was \$30,254,048. The amount that our taxpayers paid for these activities through property taxes was \$9,893,466 or 33%.

Changes in the District's Net Assets

	Fiscal Year August 31, 2007	Fiscal Year August 31, 2006
Revenues:		
Program revenues		
Charges for services	\$ 1,054,085	\$ 989,535
Operating grants and contributions	3,754,792	3,690,102
General revenues		
Property taxes	9,893,466	9,343,407
State grants	15,212,264	13,530,689
Other	895,826	996,000
Total revenues	<u>30,810,433</u>	<u>28,549,733</u>
Expenses:		
Instruction	15,863,987	14,404,277
Instruction resources and media services	364,682	351,561
Curriculum and staff development	238,229	271,988
Instructional leadership	156,100	287,714
School leadership	1,391,051	1,201,609
Guidance, counseling & evaluation services	1,069,888	926,490
Health services	255,716	228,208
Student transportation	867,750	915,661
Food service	1,438,065	1,358,796
Extracurricular activities	1,407,482	1,239,955
General administration	1,236,386	1,058,640
Plant maintenance and operations	3,694,307	2,992,407
Security and monitoring services	93,088	-
Data processing services	291,492	276,893
Interest on long-term debt	1,715,794	852,939
Bond issuance costs	69,888	11,492
Capital outlay	4,200	-
Payments related to shared service arrangements	95,943	70,541
Total expenses	<u>30,254,048</u>	<u>26,449,171</u>
Increase in net assets	556,385	2,100,562
Beginning net assets	9,964,417	7,863,855
Ending net assets	<u>\$ 10,520,802</u>	<u>\$ 9,964,417</u>

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, bond covenants, and segregation for particular purposes.

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unreserved, undesignated fund balance* may serve as a useful measure of the District's net resources available for spending at the end of a fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$7,329,716 a decrease of \$5,215,326. Approximately 77 percent of this total amount (\$5,645,669) constitutes *unreserved, undesignated fund balance*. The remainder of fund balance is *reserved* or *designated* to indicate that it is not available for new spending because it has already been committed (1) to pay debt service (\$885,032), (2) for construction projects (\$700,000) and (3) for other (\$99,015).

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unreserved, undesignated fund balance of the general fund was \$5,645,669. As a measure of the general fund's liquidity, it may be useful to compare unreserved, undesignated fund balance to the total fund expenditures. Unreserved, undesignated fund balance represents 23 percent of the total general fund expenditures.

The fund balance of the District's general fund increased by \$524,719 during the current fiscal year. Key factors in this increase are:

- Revenues in the General Fund exceeded the final budget by \$191,482.
- Expenditures in the General Fund were \$847,237 less than the final budget.

The debt service fund has a total fund balance of \$885,032 all of which is reserved for the payment of debt service. The net increase in fund balance during the period in the debt service was \$204,286.

Budgetary Highlights

Over the course of the year, the District recommended and the Board approved several revisions that increased budgeted revenue and appropriations. These amendments fall into the following categories:

- Amendments to reallocate funds in functions including function 11, 51, 52, 53, and 81.

The District made the following amendments to budgeted revenue:

- Amendments totaling \$874,504 for increased interest, TRS on-behalf payments, and tax and foundation school program revenues.

Following is a summary of amendments made to appropriations:

- Amendment to budget for projected M&O expenses (\$259,761).
- Amendment to transfer funds between functions for increased extra-curricular and data processing costs (\$22,250).
- Amendments to budget for projected Construction expenses of \$830,000. Of this amount, \$700,000 was from Construction reserve.
- Amendment to budget for projected expenses in security (\$26,700).
- Amendment to budget for increased TRS on-behalf expenses (\$125,743).
- Amendment to budget for projected utility and M&O costs (\$574,000).

Revisions:

- Amendment to revise M&O and Capital Acquisition budgets (\$36,559 transferred from function 81 to function 51).
- Transfer of \$55,000 from function 11 to function 41 for payroll budget miscalculation and \$5,000 from function 11 to function 52 for cost associated with security cameras.
- Amendment to revise NHIC reimbursement budget (-\$36,000).

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of August 31, 2007, amounts to \$37,989,951 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, and construction in progress.

Districts Capital Assets (net of depreciation)

	<u>August 31, 2007</u>	<u>August 31, 2006</u>
Land	\$ 1,118,049	\$ 1,182,213
Buildings and improvements	35,716,565	24,186,403
Furniture and equipment	897,097	878,058
Construction in progress	258,240	6,024,887
Total at historical cost	<u>\$ 37,989,951</u>	<u>\$ 32,271,561</u>

Additional information on the District's capital assets can be found in Note D on pages 20-21 of this report.

Long-term debt. As of August 31, 2007, the District had total general obligation bonded debt outstanding of \$33,562,304 a decrease of \$267,810 over the prior year. Accretion on capital appreciation bonds was \$59,008 for fiscal year 2007, resulting in an ending balance of \$1,734,697. The loss on refunding increased \$82,383, resulting in an ending balance of (\$1,153,370) for August 31, 2007.

The District's bonds presently carry "AAA" ratings with the underlying ratings as follows: Standard & Poor's underlying rating on the District's Bonds is "A" and Moody's Investor Services rating is "A3".

Additional information on the District's long-term debt can be found in Note F on pages 21-22 of this report.

Economic Factors and Next Year's Budgets and Rates

- The district's enrollment has experienced a small increase in enrollment. The Board has adopted a budget for 2007-2008 based on an ADA 3,337, an increase of 45 above 2006-2007 final ADA.
- The district's student attendance rate is expected to remain stable at approximately 95 percent.
- The Board lowered the district's M&O tax rate from \$1.37 to \$1.04 per \$100 in assessed valuation, as required by the Texas Legislature. The District has budgeted about \$1 million less in tax revenue in 2007-2008 than it actually received in 2006-2007.
- The Board adopted pay scales that increased entry level teacher pay to \$36,000, an increase of \$3,500 over 2006-2007. This increase translates to an average increase in teacher pay of a little over 6%.
- Since the district's fund balance is at the optimum of \$6.8 million, the interest revenue budget is \$380,000 in the general fund for 2007-2008.
- Changes to the state funding formulas bring a meager increase of about \$386,000 to the general fund budget over 2006-2007 actual revenues.
- The district's I&S (interest in sinking) rate for 2007-2008 is \$0.2312 per \$100 in assessed property value. This is an increase of 4.9 tenths of a cent over 2006-2007. The I&S increase is necessary to fund the scheduled debt service for 2007-2008.
- The I&S fund for 2007-2008 is budgeted at \$2,434,063. This is an increase of \$490,937 over 2006-2007 due to the increase in funds needed to pay for increases in bonded debt payments. For 2007-2008, the state funding programs including IFA and EDA will pay for 34% of these payments.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances as well as demonstrate accountability for funds the District receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Springtown Independent School District, 101 E. Second Street, Springtown, Texas 76082.

Basic Financial Statements

SPRINGTOWN INDEPENDENT SCHOOL DISTRICT**STATEMENT OF NET ASSETS**

AUGUST 31, 2007

Data Control Codes	1	Governmental Activities
ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 313,577
1120	<i>Current Investments</i>	7,080,580
1225	<i>Property Taxes Receivable (Net)</i>	793,075
1240	<i>Due from Other Governments</i>	2,119,062
1290	<i>Other Receivables (Net)</i>	6,132
1420	<i>Capitalized Bond and Other Debt Issuance Costs</i>	267,023
1430	<i>Premium and Discount on Issuance of Bonds</i>	(1,618,309)
Capital Assets:		
1510	<i>Land</i>	1,118,049
1520	<i>Buildings and Improvements, Net</i>	35,716,565
1530	<i>Furniture and Equipment, Net</i>	897,097
1580	<i>Construction in Progress</i>	258,240
1000	Total Assets	<u>46,951,091</u>
LIABILITIES:		
2110	<i>Accounts Payable</i>	196,472
2140	<i>Interest Payable</i>	97,023
2165	<i>Accrued Liabilities</i>	790,433
2300	<i>Unearned Revenue</i>	1,202,730
Noncurrent Liabilities:		
2501	<i>Due Within One Year</i>	557,660
2502	<i>Due in More Than One Year</i>	33,585,971
2000	Total Liabilities	<u>36,430,289</u>
NET ASSETS		
3200	Invested in Capital Assets, Net of Related Debt	2,398,011
Restricted For:		
3850	<i>Debt Service</i>	964,793
3870	<i>Campus Activities</i>	88,882
3880	<i>Scholarships</i>	10,133
3900	<i>Unrestricted</i>	7,058,983
3000	Total Net Assets	<u>\$ 10,520,802</u>

The accompanying notes are an integral part of this statement.

SPRINGTOWN INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2007

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Assets
		Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Governmental Activities
	Government Activities:				
11	Instruction	\$ 15,863,987	\$ 50,735	\$ 2,032,691	\$ (13,780,561)
12	Instructional Resources and Media Services	364,682	--	14,523	(350,159)
13	Curriculum and Staff Development	238,229	--	110,160	(128,069)
21	Instructional Leadership	156,100	--	6,217	(149,883)
23	School Leadership	1,391,051	--	112,694	(1,278,357)
31	Guidance, Counseling, & Evaluation Services	1,069,888	--	372,271	(697,617)
33	Health Services	255,716	--	10,184	(245,532)
34	Student Transportation	867,750	--	35,357	(832,393)
35	Food Service	1,438,065	645,504	751,487	(41,074)
36	Cocurricular/Extracurricular Activities	1,407,482	354,646	46,164	(1,006,672)
41	General Administration	1,236,386	--	49,239	(1,187,147)
51	Plant Maintenance and Operations	3,694,307	3,200	146,032	(3,545,075)
52	Security and Monitoring Services	93,088	--	3,707	(89,381)
53	Data Processing Services	291,492	--	11,609	(279,883)
72	Interest on Long-term Debt	1,715,794	--	--	(1,715,794)
73	Bond Issuance Costs and Fees	69,888	--	--	(69,888)
81	Capital Outlay	4,200	--	48,444	44,244
93	Payments Related to Shared Services Arrangements	95,943	--	4,013	(91,930)
TG	Total Governmental Activities	30,254,048	1,054,085	3,754,792	(25,445,171)
TP	Total Primary Government	\$ 30,254,048	\$ 1,054,085	\$ 3,754,792	(25,445,171)
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				8,741,557
DT	Property Taxes, Levied for Debt Service				1,151,909
IE	Investment Earnings				613,470
GC	Grants and Contributions Not Restricted to Specific Programs				15,212,264
MI	Miscellaneous				282,356
TR	Total General Revenues				26,001,556
CN	Change in Net Assets				556,385
NB	Net Assets - Beginning				9,964,417
NE	Net Assets - Ending				\$ 10,520,802

The accompanying notes are an integral part of this statement.

SPRINGTOWN INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2007

Data Control Codes	10 General Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds	
ASSETS:					
1110	Cash and Cash Equivalents	\$ 142,853	\$ --	\$ 170,724	\$ 313,577
1120	Current Investments	6,132,028	--	948,552	7,080,580
1225	Taxes Receivable, Net	713,314	--	79,761	793,075
1240	Due from Other Governments	1,994,216	--	124,846	2,119,062
1260	Due from Other Funds	154,758	--	133	154,891
1290	Other Receivables	6,132	--	--	6,132
1000	Total Assets	\$ 9,143,301	\$ --	\$ 1,324,016	\$ 10,467,317
LIABILITIES:					
Current Liabilities:					
2110	Accounts Payable	\$ 157,854	\$ --	\$ 38,618	\$ 196,472
2150	Payroll Deductions & Withholdings	25,237	--	--	25,237
2160	Accrued Wages Payable	732,602	--	--	732,602
2170	Due to Other Funds	133	--	154,758	154,891
2200	Accrued Expenditures	32,594	--	--	32,594
2300	Unearned Revenue	1,849,212	--	146,593	1,995,805
2000	Total Liabilities	2,797,632	--	339,969	3,137,601
FUND BALANCES:					
Reserved Fund Balances:					
3420	Debt Service	--	--	885,032	885,032
3490	Other Reserves of Fund Balance	--	--	99,015	99,015
Designated Fund Balance:					
3510	Construction	700,000	--	--	700,000
3600	Unreserved	5,645,669	--	--	5,645,669
3000	Total Fund Balances	6,345,669	--	984,047	7,329,716
4000	Total Liabilities and Fund Balances	\$ 9,143,301	\$ --	\$ 1,324,016	\$ 10,467,317

The accompanying notes are an integral part of this statement.

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

Total fund balances - governmental funds balance sheet	\$ 7,329,716
Amounts reported for governmental activities in the statement of net assets ("SNA") are different because:	
Capital assets used in governmental activities are not reported in the funds.	37,989,951
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	793,075
Payables for bond principal which are not due in the current period are not reported in the funds.	(33,562,304)
Payables for bond interest which are not due in the current period are not reported in the funds.	(97,023)
Bond issuance costs are capitalized for the SNA but not in the funds.	267,023
Premium on the issuance of bonds is capitalized for the SNA but not in the funds.	(1,618,309)
Deferred loss on the refunding of bonds is capitalized for the SNA but not in the funds.	1,153,370
Payables for the accumulated accretion on CAB's.	<u>(1,734,697)</u>
Net assets of governmental activities - statement of net assets	<u>\$ 10,520,802</u>

The accompanying notes are an integral part of this statement.

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

Data Control Codes	10 General Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ 9,717,284	\$ 76,476	\$ 2,143,104	\$ 11,936,864
5800 <i>State Program Revenues</i>	15,320,030	--	1,485,155	16,805,185
5900 <i>Federal Program Revenues</i>	14,012	--	2,147,859	2,161,871
5020 Total Revenues	<u>25,051,326</u>	<u>76,476</u>	<u>5,776,118</u>	<u>30,903,920</u>
EXPENDITURES:				
Current:				
0011 <i>Instruction</i>	13,640,776	--	1,462,788	15,103,564
0012 <i>Instructional Resources and Media Services</i>	347,201	--	--	347,201
0013 <i>Curriculum and Staff Development</i>	121,742	--	105,068	226,810
0021 <i>Instructional Leadership</i>	148,618	--	--	148,618
0023 <i>School Leadership</i>	1,264,576	--	59,797	1,324,373
0031 <i>Guidance, Counseling, & Evaluation Services</i>	674,549	--	344,055	1,018,604
0033 <i>Health Services</i>	243,459	--	--	243,459
0034 <i>Student Transportation</i>	845,244	--	--	845,244
0035 <i>Food Service</i>	34,406	--	1,344,600	1,379,006
0036 <i>Cocurricular/Extracurricular Activities</i>	1,103,610	--	236,406	1,340,016
0041 <i>General Administration</i>	1,177,121	--	--	1,177,121
0051 <i>Plant Maintenance and Operations</i>	3,491,091	--	51,568	3,542,659
0052 <i>Security and Monitoring Services</i>	88,626	--	--	88,626
0053 <i>Data Processing Services</i>	277,520	--	--	277,520
0071 <i>Principal on Long-term Debt</i>	--	--	267,810	267,810
0072 <i>Interest on Long-term Debt</i>	--	--	1,675,315	1,675,315
0073 <i>Bond Issuance Costs and Fees</i>	--	--	610	610
0081 <i>Capital Outlay</i>	1,158,125	6,044,622	--	7,202,747
0093 <i>Payments to Shared Service Arrangements</i>	95,943	--	--	95,943
6030 Total Expenditures	<u>24,712,607</u>	<u>6,044,622</u>	<u>5,548,017</u>	<u>36,305,246</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>338,719</u>	<u>(5,968,146)</u>	<u>228,101</u>	<u>(5,401,326)</u>
Other Financing Sources and (Uses):				
7912 <i>Sale of Real or Personal Property</i>	186,000	--	--	186,000
7080 Total Other Financing Sources and (Uses)	<u>186,000</u>	<u>--</u>	<u>--</u>	<u>186,000</u>
1200 Net Change in Fund Balances	<u>524,719</u>	<u>(5,968,146)</u>	<u>228,101</u>	<u>(5,215,326)</u>
0100 Fund Balances - Beginning	<u>5,820,950</u>	<u>5,968,146</u>	<u>755,946</u>	<u>12,545,042</u>
3000 Fund Balances - Ending	<u>\$ 6,345,669</u>	<u>\$ --</u>	<u>\$ 984,047</u>	<u>\$ 7,329,716</u>

The accompanying notes are an integral part of this statement.

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

Net change in fund balances - total governmental funds	\$ (5,215,326)
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	7,255,682
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,362,537)
The gain or loss on the sale of capital assets is not reported in the funds.	11,245
All proceeds from the sale of capital assets are reported in the funds but not in the SOA.	(186,000)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(104,732)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	267,810
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	(32,716)
The accretion of interest on capital appreciation bonds is not reported in the funds.	(59,008)
(Increase) decrease in accrued interest from beginning of period to end of period	<u>(18,033)</u>
Change in net assets of governmental activities - statement of activities	<u>\$ 556,385</u>

The accompanying notes are an integral part of this statement.

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

Data Control Codes		Agency Fund
		Student Activity
	ASSETS:	
1110	<i>Cash and Cash Equivalents</i>	\$ 90,409
1000	Total Assets	<u>\$ 90,409</u>
	LIABILITIES:	
	Current Liabilities:	
2190	<i>Due to Student Groups</i>	\$ 90,409
2000	Total Liabilities	<u>90,409</u>
	NET ASSETS	
3000	Total Net Assets	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

SPRINGTOWN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2007

A. Summary of Significant Accounting Policies

The basic financial statements of Springtown Independent School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide ("Resource Guide"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB in its Statement No. 14, "The Financial Reporting Entity," as revised by GASB Statement No.39, and there are no component units included within the reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Financial Statements: The statement of net assets and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

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

In addition, the District reports the following fund types:

SPRINGTOWN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2007

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

3. Financial Statement Amounts

a. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property 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. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

Allowances for uncollectible tax receivables 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.

SPRINGTOWN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2007

b. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and Improvements	9 - 30
Equipment	3-15

d. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

e. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net assets.

f. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

g. Data Control Codes

Data Control Codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to insure accuracy in building a statewide database for policy development and funding plans.

SPRINGTOWN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2007

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Assets of Individual Funds

Following are funds having deficit fund balances or fund net assets at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>
None reported	Not applicable

C. Deposits and Investments

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

1. Cash Deposits:

At August 31, 2007, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$403,986 and the bank balance was \$576,111. The District's cash deposits during the year ended August 31, 2007, were not entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

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

- a. Depository: Wells Fargo Bank
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$3,000,000.
- c. The highest combined balances of cash, savings and time deposit accounts amounted to \$3,501,094 and occurred during the month of December, 2006.
- d. Total amount of FDIC coverage at the time of the largest combined balance was \$100,414.

The District's cash deposits at August 31, 2007, were entirely covered by FDIC insurance or by pledge collateral.

2. Investments:

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

SPRINGTOWN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2007

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The District's investment at August 31, 2007 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Lone Star	Wtd Avg <60 days	\$ 7,080,580
Total Investments		\$ <u>7,080,580</u>

3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

At August 31, 2007, the District's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows:

Lone Star AAA

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the

SPRINGTOWN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2007

District was not exposed to foreign currency risk.

Investment Accounting Policy

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 a 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 which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

D. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,182,213	\$ 49,836	\$ 114,000	\$ 1,118,049
Construction in progress	6,024,887	258,240	6,024,887	258,240
Total capital assets not being depreciated	<u>7,207,100</u>	<u>308,076</u>	<u>6,138,887</u>	<u>1,376,289</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	37,562,114	12,783,540	362,932	49,982,722
Equipment	2,184,286	188,952	-	2,373,238
Total capital assets being depreciated	<u>39,746,400</u>	<u>12,972,492</u>	<u>362,932</u>	<u>52,355,960</u>
Less accumulated depreciation for:				
Buildings and improvements	(13,375,711)	(1,192,623)	(302,177)	(14,266,157)
Equipment	(1,306,228)	(169,913)	-	(1,476,141)
Total accumulated depreciation	<u>(14,681,939)</u>	<u>(1,362,536)</u>	<u>(302,177)</u>	<u>(15,742,298)</u>
Total capital assets being depreciated, net	<u>25,064,461</u>	<u>11,609,956</u>	<u>60,755</u>	<u>36,613,662</u>
Governmental activities capital assets, net	<u>\$ 32,271,561</u>	<u>\$ 11,918,032</u>	<u>\$ 6,199,642</u>	<u>\$ 37,989,951</u>

SPRINGTOWN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2007

Depreciation was charged to functions as follows:

Instruction	\$	760,422
Instructional Resources and Media Services		17,481
Curriculum and Staff Development		11,419
Instructional Leadership		7,482
School Leadership		66,678
Guidance, Counseling, & Evaluation Services		51,284
Health Services		12,257
Student Transportation		42,556
Food Services		69,429
Extracurricular Activities		67,466
General Administration		59,265
Plant Maintenance and Operations		178,363
Security and Monitoring Services		4,462
Data Processing Services		13,972
	\$	<u>1,362,536</u>

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2007, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Special Revenue Funds	\$ 133	For transfer of federal receipts
Special Revenue Funds	General Fund	154,758	For transfer of federal receipts
	Total	<u>\$ 154,891</u>	

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

There were no transfers between funds as of August 31, 2007.

F. Long-Term Obligations

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2007, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ 33,830,114	\$ --	\$ 267,810	\$ 33,562,304	\$ 557,660
Accretion on CAB's	1,675,689	59,008	--	1,734,697	n/a
Loss on Refunding	(1,235,753)	82,383	--	(1,153,370)	n/a
Total governmental activities	<u>\$ 34,270,050</u>	<u>\$ 141,391</u>	<u>\$ 267,810</u>	<u>\$ 34,143,631</u>	<u>\$ 557,660</u>

SPRINGTOWN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2007

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2007, are as follows:

Year Ending August 31,	Governmental Activities		
	Principal	Interest	Total
2008	\$ 557,660	\$ 1,876,403	\$ 2,434,063
2009	598,014	1,901,249	2,499,263
2010	685,000	1,937,588	2,622,588
2011	620,000	1,925,775	2,545,775
2012	636,630	1,880,495	2,517,125
2013-2017	5,160,000	6,786,406	11,946,406
2018-2022	7,090,000	5,652,750	12,742,750
2023-2027	9,115,000	3,687,750	12,802,750
2028-2032	5,815,000	1,584,500	7,399,500
2033-2037	3,285,000	334,000	3,619,000
Totals	\$ 33,562,304	\$ 27,566,916	\$ 61,129,220

The interest rate on the Unlimited Tax School Building and Refunding Bonds Series 1998 is 5.00% and matures on February 15, 2028.

The interest rate on the Unlimited Tax Refunding Bonds Series 2005-A ranges from 3.50% to 5.00% and matures on February 15, 2035.

The interest rate on the Unlimited Tax Refunding Bonds Series 2005-B ranges from 3.50% to 4.00% and matures on February 15, 2009.

3. Advance Refunding of Debt

GASB Statement No. 7, "Advance Refundings Resulting in Defeasance of Debt," provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of August 31, 2007, outstanding balances of bond issues that have been refunded and defeased in-substance by placing existing assets and the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments are as follows.

Bond Issue	Amount
Tax Bonds Series 1998	\$ 11,759,326
Tax Revenue Notes Series 2003	465,000
Total	\$ 12,224,326

G. Commitments Under Noncapitalized Leases

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

Year Ending August 31,	
2008	\$ 188,510
2009	187,115
2010	184,324
2011	25,008
2012	13,228
Total Minimum Rentals	\$ 598,185
Rental Expenditures in 2007	\$ 175,282

SPRINGTOWN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2007

H. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2007, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

I. Pension Plan

1. Plan Description

The District contributes to the Teacher Retirement System of Texas (the "System"), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception: all risks and costs are not shared by the District, but are the liability of the State of Texas. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates primarily under the provisions of the Texas Constitution and Texas Government Code, Title 8, Subtitle C. The Texas legislature has the authority to establish or amend benefit provisions. The System issues a publicly available financial report that includes financial statements and required supplementary information for the District. That report may be obtained by writing the Teacher Retirement System of Texas, 1000 Red River Street, Austin, TX 78701-2698 or by calling (800) 223-8778.

2. Funding Policy

Under provisions in State law, plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.0% of the District's covered payroll. The District's employees' contributions to the System for the years ending August 31, 2007, 2006 and 2005 were \$183,547, \$144,107 and \$115,796, respectively, and were equal to the required contributions for each year. Other contributions made from federal and private grants and from the District for salaries above the statutory minimum for the years ending August 31, 2007, 2006 and 2005 were \$172,076, \$135,100 and \$108,559, respectively, and were equal to the required contributions for each year. The amount contributed by the State on behalf of the District was \$1,015,743 for the year ended August 31, 2007.

J. Health Care Coverage

During the year ended August 31, 2007, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$225 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the District and the third party administrator is renewable annually, and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for the Company are available for their year end and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

SPRINGTOWN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2007

K. Commitments and Contingencies.

1. Contingencies

The District participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable 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 financial statements for such contingencies.

2. Litigation

No reportable litigation was pending against the District at August 31, 2007.

L. Shared Services Arrangements

Shared Services Arrangement - Fiscal Agent

The District is the fiscal agent for a Shared Services Arrangement ("SSA") which provides services to the member districts listed below. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in a special revenue fund and will be accounted for using Model 3 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

<u>Member Districts</u>	<u>Expenditures</u>
Springtown ISD	\$ 39,390
Millsap ISD	7,987
Peaster ISD	5,166
Total	\$ <u>52,543</u>

Shared Services Arrangement - Membership

The District participates in a shared services arrangement ("SSA") for the visually impaired and special education with the following school districts:

<u>Member Districts</u>	
Brock ISD	Poolville ISD
Garner ISD	Springtown ISD
Millsap ISD	
Peaster ISD	

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Peaster ISD, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

SPRINGTOWN INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-1

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2007

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts			
		Original	Final	Actual	
REVENUES:					
5700	Local and Intermediate Sources	\$ 8,883,155	\$ 9,667,916	\$ 9,717,284	\$ 49,368
5800	State Program Revenues	15,052,185	15,177,928	15,320,030	142,102
5900	Federal Program Revenues	50,000	14,000	14,012	12
5020	Total Revenues	<u>23,985,340</u>	<u>24,859,844</u>	<u>25,051,326</u>	<u>191,482</u>
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	14,404,104	14,343,104	13,640,776	702,328
0012	Instructional Resources and Media Services	357,261	357,261	347,201	10,060
0013	Curriculum and Staff Development	138,476	146,476	121,742	24,734
	Total Instruction & Instr. Related Services	<u>14,899,841</u>	<u>14,846,841</u>	<u>14,109,719</u>	<u>737,122</u>
Instructional and School Leadership:					
0021	Instructional Leadership	153,216	159,216	148,618	10,598
0023	School Leadership	1,264,410	1,271,160	1,264,576	6,584
	Total Instructional & School Leadership	<u>1,417,626</u>	<u>1,430,376</u>	<u>1,413,194</u>	<u>17,182</u>
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	672,101	690,101	674,549	15,552
0033	Health Services	249,663	249,663	243,459	6,204
0034	Student (Pupil) Transportation	855,600	893,600	845,244	48,356
0035	Food Services	30,000	34,406	34,406	--
0036	Cocurricular/Extracurricular Activities	1,143,479	1,144,479	1,103,610	40,869
	Total Support Services - Student (Pupil)	<u>2,950,843</u>	<u>3,012,249</u>	<u>2,901,268</u>	<u>110,981</u>
Administrative Support Services:					
0041	General Administration	1,118,065	1,181,065	1,177,121	3,944
	Total Administrative Support Services	<u>1,118,065</u>	<u>1,181,065</u>	<u>1,177,121</u>	<u>3,944</u>
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	2,639,214	3,542,871	3,491,091	51,780
0052	Security and Monitoring Services	59,250	90,950	88,626	2,324
0053	Data Processing Services	267,942	281,192	277,520	3,672
	Total Support Services - Nonstudent Based	<u>2,966,406</u>	<u>3,915,012</u>	<u>3,857,237</u>	<u>57,775</u>
Capital Outlay:					
0081	Capital Outlay	536,559	1,078,300	1,158,125	(79,825)
	Total Capital Outlay	<u>536,559</u>	<u>1,078,300</u>	<u>1,158,125</u>	<u>(79,825)</u>
Intergovernmental Charges:					
0093	Payments to Fiscal Agent/Member Dist. -SSA	96,000	96,000	95,943	57
	Total Intergovernmental Charges	<u>96,000</u>	<u>96,000</u>	<u>95,943</u>	<u>57</u>
6030	Total Expenditures	<u>23,985,340</u>	<u>25,559,844</u>	<u>24,712,607</u>	<u>847,237</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures		(700,000)	338,719	1,038,719
Other Financing Sources (Uses):					
7912	Sale of Real or Personal Property	--	--	186,000	186,000
7080	Total Other Financing Sources and (Uses)			186,000	186,000
1200	Net Change in Fund Balance		(700,000)	524,719	1,224,719
0100	Fund Balance - Beginning	5,820,950	5,820,950	5,820,950	--
3000	Fund Balance - Ending	<u>\$ 5,820,950</u>	<u>\$ 5,120,950</u>	<u>\$ 6,345,669</u>	<u>\$ 1,224,719</u>

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

SPRINGTOWN INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE

FOR THE YEAR ENDED AUGUST 31, 2007

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
1998 and Prior Years	\$	Various	\$	Various	\$	Various
1999		1.1078		.3791		250,139,096
2000		1.1855		.1322		321,798,882
2001		1.4384		.1283		356,622,392
2002		1.4586		.1286		385,643,679
2003		1.4700		.1206		446,716,373
2004		1.5000		.1386		475,750,691
2005		1.5000		.1398		509,952,216
2006		1.5000		.1736		572,459,410
2007 (School Year Under Audit)		1.3700		.1818		641,473,190

1000 Totals

9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code

10 Beginning Balance 9/1/06	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/07
\$ 180,176	\$ --	\$ 6,342	\$ 2,439	\$ (5,946)	\$ 165,449
35,227	--	1,687	577	(717)	32,246
44,769	--	2,590	289	(744)	41,146
73,849	--	7,263	648	(2,546)	63,392
113,094	--	21,864	1,928	(1,908)	87,394
147,291	--	41,657	3,418	2,879	105,095
196,895	--	67,765	6,261	3,391	126,260
265,625	--	100,407	9,357	1,121	156,982
598,026	--	286,595	33,169	(17,044)	261,218
--	9,600,420	8,003,074	1,062,014	(56,768)	478,564
<u>\$ 1,654,952</u>	<u>\$ 9,600,420</u>	<u>\$ 8,539,244</u>	<u>\$ 1,120,100</u>	<u>\$ (78,282)</u>	<u>\$ 1,517,746</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

SPRINGTOWN INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-2

SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT COST FOR 2008-2009
 GENERAL AND SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2007

FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (Other) Misc.	7 Total
611X-6146	Payroll Costs	\$ --	\$ --	\$ 257,210	\$ 539,077	\$ --	\$ 429	\$ 796,716
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	--	--	34,863	--	--	--	34,863
6212	Audit Services	--	--	--	18,060	--	--	18,060
6213	Tax Appraisal and Collection	--	177,294	--	--	--	--	177,294
621X	Other Prof. Services	--	--	--	350	--	--	350
6220	Tuition and Transfer Payments	--	--	--	--	--	--	--
6230	Education Service Centers	--	--	4,520	--	--	--	4,520
6240	Contr. Maint. and Repair	--	--	--	--	--	--	--
6250	Utilities	--	--	--	--	--	--	--
6260	Rentals	--	--	--	1,651	--	--	1,651
6290	Miscellaneous Contr.	--	--	56	49,163	--	--	49,219
6310	Operational Supplies, Materials	--	--	--	--	--	--	--
6320	Textbooks and Reading	--	--	--	--	--	--	--
6330	Testing Materials	--	--	--	--	--	--	--
63XX	Other Supplies, Materials	726	--	6,802	34,166	--	--	41,694
6410	Travel, Subsistence, Stipends	5,981	--	6,312	8,640	--	--	20,933
6420	Ins. and Bonding Costs	--	--	--	22,584	--	--	22,584
6430	Election Costs	3,812	--	--	--	--	--	3,812
6490	Miscellaneous Operating	405	--	6,633	22,918	--	272	30,228
6500	Debt Service	--	--	--	--	--	--	--
6600	Capital Outlay	--	--	--	--	--	--	--

Total \$ 10,924 \$ 177,294 \$ 316,396 \$ 696,609 \$ -- \$ 701 \$ 1,201,924

Total expenditures for General and Special Revenue Funds (9) \$ 28,316,889

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 1,211,060
Total Debt & Lease (6500)	(11)	\$ --
Plant Maintenance (Function 51, 6100-6400)	(12)	\$ 3,515,944
Food (Function 35, 6341 and 6499)	(13)	\$ 506,821
Stipends (6413)	(14)	\$ --
Column 4 (above) - Total Indirect Cost		\$ 696,609

Subtotal 5,930,434

Net Allowed Direct Cost \$ 22,386,455

CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15)	\$ 49,982,721
Historical Cost of Buildings over 50 years old	(16)	199,713
Amount of Federal Money in Building Cost (Net of #16)	(17)	--
Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540)	(18)	2,373,238
Historical Cost of Furniture & Equipment over 16 years old	(19)	174,288
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ --

(8) Note A - \$24,803 in Function 53 expenditures are included in this report on administrative costs.

SPRINGTOWN INDEPENDENT SCHOOL DISTRICT
FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)
GENERAL FUND
AS OF AUGUST 31, 2007

EXHIBIT J-3

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2007 (Exhibit C-1 object 3000 for the General Fund only)	\$ <u>6,345,669</u>
2	Total General Fund Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund only)	<u>--</u>
3	Total General Fund Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund only)	<u>700,000</u>
4	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)	<u>4,118,768</u>
5	Estimate of one month's average cash disbursements during the regular school session (9/1/07 - 5/31/08)	<u>2,059,384</u>
6	Estimate of delayed payments from state sources (58XX) including August payment delays	<u>--</u>
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	<u>--</u>
8	Estimate of delayed payments from federal sources (59XX)	<u>--</u>
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)	<u>--</u>
10	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9)	<u>6,878,152</u>
11	Excess (Deficit) Undesignated Unreserved General Fund Fund Balance (Line 1 minus Line 10)	\$ <u>(532,483)</u>

SPRINGTOWN INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-4

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2007

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 610,305	\$ 646,120	\$ 35,815
5800 <i>State Program Revenues</i>	10,000	10,247	247
5900 <i>Federal Program Revenues</i>	739,900	739,801	(99)
5020 Total Revenues	<u>1,360,205</u>	<u>1,396,168</u>	<u>35,963</u>
EXPENDITURES:			
Current:			
Support Services - Student (Pupil):			
0035 <i>Food Services</i>	1,360,205	1,344,600	15,605
Total Support Services - Student (Pupil)	<u>1,360,205</u>	<u>1,344,600</u>	<u>15,605</u>
Support Services - Nonstudent Based:			
0051 <i>Plant Maintenance and Operations</i>	--	51,568	(51,568)
Total Support Services - Nonstudent Based	<u>--</u>	<u>51,568</u>	<u>(51,568)</u>
6030 Total Expenditures	<u>1,360,205</u>	<u>1,396,168</u>	<u>(35,963)</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	--	--	--
0100 Fund Balance - Beginning	--	--	--
3000 Fund Balance - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

SPRINGTOWN INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-5

DEBT SERVICE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2007

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 1,045,846	\$ 1,236,071	\$ 190,225
5800 <i>State Program Revenues</i>	898,279	911,950	13,671
5020 <i>Total Revenues</i>	<u>1,944,125</u>	<u>2,148,021</u>	<u>203,896</u>
EXPENDITURES:			
Debt Service:			
0071 <i>Principal on Long-Term Debt</i>	267,810	267,810	--
0072 <i>Interest on Long-Term Debt</i>	1,675,315	1,675,315	--
0073 <i>Bond Issuance Costs and Fees</i>	1,000	610	390
<i>Total Debt Service</i>	<u>1,944,125</u>	<u>1,943,735</u>	<u>390</u>
6030 <i>Total Expenditures</i>	<u>1,944,125</u>	<u>1,943,735</u>	<u>390</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>			
1100 <i>Expenditures</i>	--	204,286	204,286
1200 <i>Net Change in Fund Balance</i>	--	204,286	204,286
0100 <i>Fund Balance - Beginning</i>	680,746	680,746	--
3000 <i>Fund Balance - Ending</i>	<u>\$ 680,746</u>	<u>\$ 885,032</u>	<u>\$ 204,286</u>



Snow, Garrett & Company

CERTIFIED PUBLIC ACCOUNTANTS

Report on Internal Control over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

Board of Trustees
Springtown Independent School District
101 E. Second Street
Springtown, Texas 76082

Members of the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Springtown Independent School District as of and for the year ended August 31, 2007, which collectively comprise the Springtown Independent School District's basic financial statements and have issued our report thereon dated October 30, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Springtown Independent School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Springtown Independent School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Springtown Independent School District's internal control over financial reporting. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Springtown Independent School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Springtown Independent School District's financial statements that is more than inconsequential will not be prevented by the Springtown Independent School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Springtown Independent School District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Springtown Independent School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We also noted certain immaterial instances of noncompliance that we have reported to management of Springtown Independent School District in a separate letter dated October 30, 2007.

We also noted other matters that we reported to management of Springtown Independent School District in a separate letter dated October 30, 2007.

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

Respectfully submitted,



Snow, Garrett & Company
October 30, 2007



Snow, Garrett & Company

CERTIFIED PUBLIC ACCOUNTANTS

Report on Compliance with Requirements Applicable
To each Major Program and Internal Control over Compliance
In Accordance With OMB Circular A-133

Board of Trustees
Springtown Independent School District
101 E. Second Street
Springtown, Texas 76082

Members of the Board of Trustees:

Compliance

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

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

In our opinion, Springtown Independent School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2007.

Internal Control Over Compliance

The management of Springtown Independent School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Springtown Independent School District's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Springtown Independent School District's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we considered to be material weaknesses.

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

Respectfully submitted,

A handwritten signature in black ink that reads "Snow, Garrett & Company". The signature is written in a cursive, flowing style.

Snow, Garrett & Company
October 30, 2007

SPRINGTOWN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2007

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.555/10.553	National School Lunch and Breakfast Program
84.367	Improving Teacher Quality State Grants

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

SPRINGTOWN INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2007

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
None Noted.		

SPRINGTOWN INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2007

A corrective action plan is not needed.

SPRINGTOWN INDEPENDENT SCHOOL DISTRICT

EXHIBIT K-1

*SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2007*

Data Control Codes	Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION				
Passed Through State Department of Education:				
211	<i>ESEA Title I Part A - Improving Basic Programs</i>	84.010A	7610101184902	\$ 476,899
211	<i>ESEA Title I Part A - Improving Basic Programs</i>	84.010A	8610101184902	54,537
	Total CFDA Number 84.010A			<u>\$ 531,436</u>
224	<i>IDEA-B Formula</i>	84.027	7660001184902	\$ 629,094
224	<i>IDEA-B Formula</i>	84.027	8660001184902660	32,678
	Total CFDA Number 84.027			<u>\$ 661,772</u>
244	<i>SSA Vocational Education - Basic Grant</i>	84.048	7420006184902	\$ 52,543
244	<i>SSA Vocational Education - Basic Grant</i>	84.048	84200066184902	3,676
	Total CFDA Number 84.048			<u>\$ 56,219</u>
225	<i>IDEA-B Preschool</i>	84.173	7661001184902	\$ 25,489
225	<i>IDEA-B Preschool</i>	84.173	8661001184902660	749
	Total CFDA Number 84.173			<u>\$ 26,238</u>
204	<i>ESEA Title IV Part A-Safe & Drug-Free Schools & Communities Act</i>	84.186A	7691001184902	\$ 15,320
243	<i>Vocational Education - Technical Preparation</i>	84.243A	41726	\$ 3,359
269	<i>Title V, Part A - Innovative Programs</i>	84.298	7685001184902	\$ 8,459
262	<i>Title II Part D Enhancing Education Through Technology</i>	84.318	763001184902	\$ 5,159
255	<i>ESEA Title II Part A - Teacher & Principal Training & Recruiting</i>	84.367A	763001184902	\$ 95,045
255	<i>ESEA Title II Part A - Teacher & Principal Training & Recruiting</i>	84.367A	8694501184902	5,051
	Total CFDA Number 84.367A			<u>\$ 100,096</u>
	Total Passed Through State Department of Education			<u>\$ 1,408,058</u>
	Total U. S. Department of Education			<u>\$ 1,408,058</u>
U. S. DEPARTMENT OF AGRICULTURE				
Passed Through State Department of Education:				
240	School Breakfast Program *	10.553	71400501	\$ 121,765
240	National School Lunch Program *	10.555	71300601	\$ 530,074
241	Commodity Supplemental Food Program	10.565	184-902	\$ 87,962
	Total Passed Through State Department of Education			<u>\$ 739,801</u>
	Total U. S. Department of Agriculture			<u>\$ 739,801</u>
	TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,147,859</u>

* Indicates clustered program under OMB Circular A-133 Compliance Supplement

The accompanying notes are an integral part of this schedule.

SPRINGTOWN INDEPENDENT SCHOOL DISTRICT
*NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2007*

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Springtown Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

SPRINGTOWN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
 AS OF AUGUST 31, 2007

Data Control Codes		Responses
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year-end?	\$ 1,734,697