

**MESQUITE INDEPENDENT SCHOOL DISTRICT  
MESQUITE, TEXAS**

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**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED  
AUGUST 31, 2009**



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## **INTRODUCTORY SECTION**

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**CERTIFICATE OF BOARD**

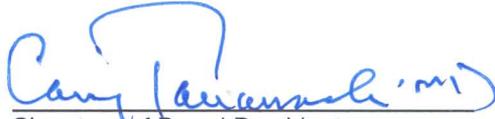
MESQUITE INDEPENDENT SCHOOL DISTRICT  
Name of School District

Dallas  
County

057-914  
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, 2009 at a meeting of the Board of Trustees of such school district on the 11<sup>th</sup> day of January, 2010.

  
\_\_\_\_\_  
Signature of Board Secretary

  
\_\_\_\_\_  
Signature of Board President

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

## **FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

Board of Trustees

MESQUITE INDEPENDENT SCHOOL DISTRICT  
Mesquite, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mesquite Independent School District (the District) as of and for the year ended August 31, 2009 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 administration. Our responsibility is to express opinions on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic 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 the District as of August 31, 2009, and the respective changes in financial position and the cash flows, where applicable, thereof, 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 January 6, 2010, 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 the 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 accompanying management's discussion and analysis and the budgetary comparison schedule-general fund are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

MESQUITE INDEPENDENT SCHOOL DISTRICT  
Page Two

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and in addition to the combining statements, and the required TEA schedules listed in the table of contents, are not a required part of the basic financial statements. Such information, excluding the Fund Balance and Cash Flow Worksheet – General Fund (Exhibit H-3) 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.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas  
January 6, 2010

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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This section of Mesquite 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, 2009. Please read it in conjunction with the District's financial statements, which follow this section.

## Financial Highlights

### Government wide

- The District's Total Net Assets was \$99,954,628, unrestricted net assets was \$9,762,577, net assets invested in capital assets, net of related debt was \$72,837,630, net assets restricted for food service was \$5,148,225 and net assets restricted for debt service was \$12,206,196.

### Fund level statements

- The District's General Fund Balance was \$63,199,986, a \$6,265,147 increase from the prior year.
- The District's Debt Service Fund Balance was \$13,646,849 an increase of \$4,725,380 from the prior year.
- The District's Capital Projects Fund Balance was \$48,616,793 a decrease of \$10,406,293 from the prior year.
- The District's Food Service Special Revenue Fund Balance was \$5,148,243, an increase of \$240,112 over the prior year.

## 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 comprise three components: 1) district-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.

**District-wide financial statements.** *The district-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 district-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*

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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and no component units for which it is financially accountable. The district-wide financial statements can be found on pages 9-10 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 three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental funds:** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the district-wide financial statements. However, unlike the district-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 district-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the district-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 maintains thirty-seven governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund and capital projects fund, all three of which are considered to be major funds. Data from the other thirty-four governmental funds are combined into a single, aggregated presentation. Fund data for these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report. 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 11-16 of this report.
- **Proprietary funds.** *Proprietary funds* provide the same type of information as the district-wide financial statements, only in more detail. There are two proprietary fund types. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the district-wide financial statements. As mentioned above in the district-wide definition, the District has no *business-type activities* or *enterprise funds*. The second type of proprietary fund is the *internal service fund*. Internal service funds are an accounting device used to accumulate and allocate costs internally among the various functions. The District uses the *internal service fund* to report activities for its self-funded health and workers compensation insurance programs. The basic proprietary fund financial statements can be found on pages 17-19 of this report.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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- **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 district-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 pages 20-21. These activities are excluded from the District's district-wide financial statements because the District cannot use these assets to finance its operations.

**Notes to the financial statements.** The notes provide additional information that is essential to a complete understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 22-45 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 pages 46-47 of this report.

The combining statements referred to earlier in connection with non-major governmental, internal service and fiduciary funds are presented immediately following the required supplementary information. Combining statements can be found on pages 48-54 of this report.

## District-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 \$99,954,628 as of August 31, 2009.

	The District's Net Assets		
	2009	2008	Difference
Current and other assets	\$ 164,962,663	\$159,132,944	\$5,829,719
Capital assets	\$423,749,604	\$396,773,104	\$26,976,500
Total assets	\$588,712,267	\$555,906,048	\$32,224,576
Long-term liabilities			
outstanding	\$463,898,467	\$463,197,044	\$701,423
Other liabilities	\$24,859,172	\$22,783,186	\$1,494,343
Total liabilities	\$488,757,639	\$485,980,230	\$2,777,409
Net assets:			
Invested in capital assets, net of related debt	\$72,837,630	\$54,678,758	\$18,158,872
Restricted	\$17,354,421	\$12,150,616	\$5,203,805
Unrestricted	\$9,762,577	\$3,096,444	\$6,666,133
Total net assets	\$99,954,628	\$69,925,818	\$30,028,810

**Governmental activities.** The District's total net assets increased by \$30,028,810. The total cost of all *governmental activities* this year was \$329,189,930. The amount that our taxpayers paid for these activities through property taxes was \$96,537,717 or 29%.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Changes in the District's Net Assets			
Revenues:	2009	2008	Difference
<b>Program revenues:</b>			
Charges for services	\$10,946,155	\$11,339,596	(\$393,441)
Operating grants & contributions	\$74,310,849	\$60,513,366	\$13,797,483
<b>General revenues:</b>			
Property taxes	\$96,537,717	\$93,886,800	\$2,650,917
State grants	\$172,019,658	\$165,978,966	\$6,040,692
Other	\$5,404,361	\$9,365,449	(\$3,961,088)
Total revenues	\$359,218,740	\$341,084,177	\$18,134,563
<b>Expenses:</b>			
Instruction	\$185,083,848	\$173,804,670	\$11,279,178
Instructional resources & media services	\$5,079,417	\$5,542,522	(\$463,105)
Curriculum & staff development	\$4,758,012	\$4,595,449	\$162,563
Instructional leadership	\$4,337,084	\$4,486,979	(\$149,895)
School leadership	\$16,038,449	\$15,528,399	\$510,050
Guidance, counseling & evaluation services	\$11,326,887	\$10,748,066	\$578,821
Social work services	\$210,015	\$203,277	\$6,738
Health services	\$3,145,788	\$3,024,618	\$121,170
Student (pupil) transportation	\$3,761,732	\$4,485,083	(\$723,351)
Food Services	\$16,189,044	\$14,508,310	\$1,680,734
Cocurricular/extracurricular activities	\$8,393,104	\$7,981,877	\$411,227
General administration	\$7,487,980	\$7,571,737	(\$83,757)
Plant maintenance & operations	\$30,746,001	\$30,418,108	\$327,893
Security and monitoring services	\$2,750,136	\$2,705,925	\$44,211
Data processing services	\$4,020,663	\$3,916,089	\$104,574
Community services	\$246,385	\$214,119	\$32,266
Debt service-interest on long-term debt	\$20,919,955	\$22,128,990	(\$1,209,035)
Bond Issuance Costs and Fees	\$603,279	\$227,821	\$375,458
Facilities acquisition & construction	\$373,103	\$240,689	\$132,414
Payments to juvenile justice alternative education program	\$54,205	\$61,348	(\$7,143)
Payments to tax increment fund	\$3,294,807	\$3,332,858	(\$38,051)
Other Intergovernmental Charges	\$369,936	\$0	\$369,936
Total expenses	\$329,189,930	\$315,726,934	\$13,462,996
Increase in Net Assets	\$30,028,810	\$25,357,243	\$4,671,567
Beginning Net Assets	\$69,925,818	\$44,568,575	\$25,357,243
Ending Net Assets	\$99,954,628	\$69,925,818	\$30,028,810

### 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 \$130,851,113 an increase of \$1,063,588. Approximately 47 percent or \$61,022,518 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) for inventory (\$1,420,301), 2) to pay debt service (\$13,646,849), 3) for deferred expenditures (\$197,043), 4) to liquidate purchase orders of the prior period (\$3,574,823), 5) for food service (\$3,562,260), and 6) for capital acquisition and expansion (\$47,427,319).

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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 \$60,794,257, while the total fund balance was \$63,199,986. As a measure of the general fund's liquidity, it may be useful to compare both unreserved, undesignated fund balance and total fund balance to the total fund expenditures. Unreserved, undesignated fund balance represents 23.6 percent of the total general fund expenditures, while total fund balance represents 24.6 percent of that same amount.

**Proprietary funds.** As mentioned earlier, the District's proprietary funds provide detailed information concerning the District's health and workers compensation internal service funds.

Unrestricted net assets at August 31, 2009, amounted to \$2,767,031.

### **General Fund Budgetary Highlights**

The budget was amended August 10, 2009. The district made the following amendments to budgeted revenue:

- \$1,007,703 decrease in local revenue
- \$3,333,060 increase in state revenue
- \$ 122,200 increase in federal revenue
- \$ 201,100 decrease in the resources due to transfer in

Following is a summary of amendments made to appropriations:

- \$2,538,011 increase for instructional services
- \$ 405,250 decrease for instructional and school leadership
- \$ 769,010 increase for student services
- \$ 628,050 decrease for general administration
- \$2,233,550 decrease for support services
- \$ 34,000 decrease for data processing
- \$ 4,200 increase for ancillary services
- \$ 118,500 increase for capital outlay
- \$ 365,100 decrease for intergovernmental charges

### **Capital Asset and Debt Administration**

**Capital assets.** The District's investment in capital assets for its governmental activities as of August 31, 2009, amounts to \$423,749,604 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, construction in progress, and long-term investments.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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## District's Capital Assets (net of depreciation)

	2009	2008	Difference
Land	\$16,077,402	11,232,118	\$4,845,284
Buildings and improvements	\$362,227,148	\$348,916,136	\$13,311,012
Furniture & equipment	\$38,904,356	\$30,477,635	\$8,426,721
Construction in progress	\$6,540,698	\$6,147,215	\$393,483
Totals at historical cost	\$423,749,604	\$396,773,104	\$26,976,500

**Long-term debt.** At the end of August 31, 2009, the District had total bonded debt outstanding of \$432,975,294, a decrease of \$2,219,414 from the prior year. The District issued one new bond issue for \$24,735,000 and refunded \$13,090,000 for the period ending August 31, 2009. The "AAA" long-term rating on the District's Texas' bonds reflects the Texas Permanent School Fund guarantee. The "AA" Standard & Poor's and "AA" Fitch ratings on the District's unenhanced debt reflects the District's: 1) participation in the strong and growing Dallas area economy, 2) very strong administrative management, and 3) superior cash position.

Assessed values (AVs) have increased an average of 3.6% annually from fiscal 2005-2009. Top ten taxpayers account for less than 5.79% of a diversified tax roll, where residential property comprises roughly 64.1% of the District's AV and commercial property accounts for approximately 35.9%. The economic base includes retail, telecommunications, manufacturing, warehousing, and distribution enterprises. Growth focuses on the southern reaches of the district, where residential building prospects reportedly remain strong.

### Economic Factors and Next Year's Budgets and Rates

- The District's student attendance rate was 96.7 percent for 2009.
- The District's enrollment has experienced an increase of .7 percent.

#### Budget for 2010

- Local revenue decreased \$8,307,236, state aid increased \$16,633,524 and federal increased \$16,031,550 and other sources decreased \$20,913,007 for a total net increase of \$3,444,831.
- Expenditures for 2010, increased for raises and new personnel, technology costs, and staff development \$23,531,330, increased for debt service \$2,003,500, decreased for capital projects \$15,320,356, for a total net increase of \$10,214,474.

### 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 Business Services Department, Mesquite ISD, 405 E. Davis, Mesquite, Texas 75149.

**MESQUITE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
AUGUST 31, 2009**

Data Control Codes	<u>Governmental Activities</u>
<b>ASSETS</b>	
1110 Cash and cash equivalents	\$ 99,294,419
1120 Current investments	43,395,074
1220 Delinquent property taxes receivable	6,636,651
1230 Allowance for uncollectable taxes (credit)	(1,471,898)
1240 Due from other governments	11,088,618
1250 Accrued interest	386,118
1290 Other receivables (net)	1,465,568
1300 Inventories	1,741,908
1410 Deferred expenditures or expenses	197,043
1420 Capital bond and other debt issuance costs	2,219,404
1490 Other current assets	9,758
Capital assets:	
1510 Land	16,077,402
1520 Buildings and improvements	521,940,658
1530 Furniture and equipment	73,072,488
1570 Accumulated depreciation	(193,881,642)
1580 Construction in progress	6,540,698
1000 Total Assets	<u>\$ 588,712,267</u>
<b>LIABILITIES</b>	
2110 Accounts payable	\$ 6,967,346
2140 Interest payable	898,812
2150 Payroll deductions and withholdings	770,921
2160 Accrued wages payable	11,314,687
2200 Accrued expenditures or expenses	4,379,847
2300 Unearned revenue	527,559
Noncurrent liabilities:	
2501 Due within one year	28,134,927
2502 Due in more than one year	435,763,540
2000 Total Liabilities	<u>488,757,639</u>
<b>NET ASSETS</b>	
3200 Invested in capital assets, net of related debt	72,837,630
Restricted for:	
3840 Food service	5,148,225
3850 Debt service	12,206,196
3900 Unrestricted net assets	9,762,577
3000 Total net assets	<u>\$ 99,954,628</u>

*The accompanying notes are an integral part of this statement.*

**MESQUITE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2009**

Data Control Codes	1 Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
		3 Charges for Services	4 Operating Grants and Contributions		
				6 Governmental Activities	
<b>GOVERNMENTAL ACTIVITIES:</b>					
11	Instruction	\$ 185,083,848	\$ 788,287	\$ 31,072,414	\$ (153,223,147)
12	Instructional resources and media services	5,079,417	-	255,723	(4,823,694)
13	Curriculum and staff development	4,758,012	-	912,184	(3,845,828)
21	Instructional leadership	4,337,084	-	752,538	(3,584,546)
23	School leadership	16,038,449	-	726,942	(15,311,507)
31	Guidance, counseling, and evaluation services	11,326,887	-	1,500,357	(9,826,530)
32	Social work services	210,015	-	65,929	(144,086)
33	Health services	3,145,788	-	134,713	(3,011,075)
34	Student transportation	3,761,732	-	315,445	(3,446,287)
35	Food service	16,189,044	6,134,265	10,651,061	596,282
36	Extracurricular activities	8,393,104	3,512,164	402,561	(4,478,379)
41	General administration	7,487,980	-	308,840	(7,179,140)
51	Plant maintenance and operations	30,746,001	511,439	1,376,955	(28,857,607)
52	Security and monitoring services	2,750,136	-	125,616	(2,624,520)
53	Data processing services	4,020,663	-	176,587	(3,844,076)
61	Community services	246,385	-	73,111	(173,274)
72	Interest on long-term debt	20,919,955	-	24,335,214	3,415,259
73	Bond issuance costs and fees	603,379	-	-	(603,379)
81	Facilities acquisition and construction	373,103	-	21,829	(351,274)
95	Payments to juvenile justice alternative education programs	54,205	-	-	(54,205)
97	Payments to Tax Increment Fund	3,294,807	-	1,102,830	(2,191,977)
99	Other intergovernmental charges	369,936	-	-	(369,936)
	<b>[TP] TOTAL PRIMARY GOVERNMENT:</b>	<b>\$ 329,189,930</b>	<b>\$ 10,946,155</b>	<b>\$ 74,310,849</b>	<b>(243,932,926)</b>
Data Control Codes	General Revenues:				
	Taxes				
MT	Property Taxes, Levied for General Purposes			71,782,455	
DT	Property Taxes, Levied for Debt Service			24,755,262	
SF	State Aid - Formula Grants			172,019,658	
GC	Miscellaneous Local and Intermediate Revenue			1,430,509	
IE	Investment Earnings			3,973,852	
TR	Total general revenues and special items			<u>273,961,736</u>	
CN	Change in net assets			30,028,810	
NB	Net assets-beginning			<u>69,925,818</u>	
NE	Net assets-ending			<u>\$ 99,954,628</u>	

The accompanying notes are an integral part of this statement.

**MESQUITE INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2009**

Data Control Codes		<b>10</b>	<b>50</b>
		<b>General Fund</b>	<b>Debt Service Fund</b>
<b>ASSETS</b>			
1110	Cash and cash equivalents	\$ 35,259,361	\$ 10,608,130
1120	Current investments	28,896,480	3,001,875
1220	Property taxes delinquent	5,012,186	1,624,465
1230	Allowance for uncollectable taxes (credit)	(1,111,619)	(360,279)
1240	Due from other governments	5,360,079	-
1250	Accrued interest	141,046	37,242
1260	Due from other funds	8,577,190	-
1290	Other receivables	468,583	-
1300	Inventories	1,184,979	-
1410	Deferred expenditures	186,062	-
1000	Total assets	<u>\$ 83,974,347</u>	<u>\$ 14,911,433</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
2110	Accounts payable	\$ 3,855,034	\$ -
2150	Payroll deductions and withholdings payable	770,921	-
2160	Accrued wages payable	11,071,083	-
2170	Due to other funds	975,946	398
2300	Deferred revenue	4,101,377	1,264,186
2000	Total liabilities	<u>20,774,361</u>	<u>1,264,584</u>
<b>Fund balances:</b>			
<b>RESERVED FOR:</b>			
3410	Inventories	1,184,979	-
3420	Retirement of long-term debt	-	13,646,849
3430	Deferred expenditures	186,062	-
3440	Encumbrances	1,034,688	-
3450	Food service	-	-
3470	Capital acquisitions program	-	-
<b>UNRESERVED AND UNDESIGNATED</b>			
3600	Reported in general fund	60,794,257	-
3610	Special revenue funds	-	-
3000	Total fund balances	<u>63,199,986</u>	<u>13,646,849</u>
4000	<b>Total liabilities and fund balances</b>	<u>\$ 83,974,347</u>	<u>\$ 14,911,433</u>

*The accompanying notes are an integral part of this statement.*

	<b>60</b>		<b>98</b>
	<b>Capital Projects</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$	39,298,899	\$ 5,733,851	\$ 90,900,241
	11,496,719	-	43,395,074
	-	-	6,636,651
	-	-	(1,471,898)
	-	5,728,539	11,088,618
	195,034	12,796	386,118
	2,629	392,412	8,972,231
	658,693	102	1,127,378
	-	235,322	1,420,301
	-	10,981	197,043
\$	<u>51,651,974</u>	<u>\$ 12,114,003</u>	<u>\$ 162,651,757</u>
\$	1,697,637	\$ 826,887	\$ 6,379,558
	-	-	770,921
	-	243,604	11,314,687
	1,337,544	5,329,277	7,643,165
	-	326,750	5,692,313
	<u>3,035,181</u>	<u>6,726,518</u>	<u>31,800,644</u>
	-	235,322	1,420,301
	-	-	13,646,849
	-	10,981	197,043
	1,189,474	1,350,661	3,574,823
	-	3,562,260	3,562,260
	47,427,319	-	47,427,319
	-	-	60,794,257
	-	228,261	228,261
	<u>48,616,793</u>	<u>5,387,485</u>	<u>130,851,113</u>
\$	<u>51,651,974</u>	<u>\$ 12,114,003</u>	<u>\$ 162,651,757</u>

**MESQUITE INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF  
NET ASSETS  
AUGUST 31, 2009**

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<b>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</b>	\$ 130,851,113
The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	2,767,031
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental fund financial statements.	617,631,246
Accumulated depreciation has not been included in the governmental fund financial statements.	(193,881,642)
Bonds payable have not been included in the governmental fund financial statements.	(432,975,294)
Accreted interest for capital appreciation bonds have not been included in the governmental fund financial statements.	(21,216,001)
Deferred revenue in the fund financial statements was recorded as revenue in the district-wide financial statements.	5,164,755
Interest is accrued on outstanding debt in the district-wide financial statements, whereas in the fund financial statements, an interest expenditure is reported when due.	(898,812)
Bond issuance costs reported as an expenditure in the fund financial statements are capitalized in the district-wide financial statements.	2,219,404
Discount on the issuance of bonds reported as net other financing sources on the fund financial statements is capitalized in the district-wide financial statements.	2,816,220
Premium on the issuance of bonds reported as net other financing sources on the fund financial statements is capitalized in the district-wide financial statements.	(19,947,226)
For debt refundings, the difference between the acquisition price and the net carrying amount of the debt has been deferred and amortized in the district-wide financial statements.	7,423,834
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ <u><u>99,954,628</u></u></b>

*The accompanying notes are an integral part of this statement.*

**MESQUITE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2009**

Data Control Codes		10 General Fund	50 Debt Service Fund
<b>REVENUES</b>			
5700	Local and intermediate sources	\$ 78,991,926	\$ 26,367,379
5800	State program revenues	182,755,797	24,335,214
5900	Federal program revenues	684,577	-
5020	Total revenues	<u>262,432,300</u>	<u>50,702,593</u>
<b>EXPENDITURES</b>			
CURRENT:			
0011	Instruction	156,265,033	-
0012	Instructional resources and media services	5,308,004	-
0013	Curriculum and staff development	3,800,859	-
0021	Instructional leadership	3,595,273	-
0023	School leadership	15,017,895	-
0031	Guidance, counseling, and evaluation services	9,641,835	-
0032	Social work services	137,103	-
0033	Health services	2,946,883	-
0034	Student transportation	3,708,314	-
0035	Food service	519,142	-
0036	Extracurricular activities	8,572,206	-
0041	General administration	6,755,862	-
0051	Plant maintenance and operations	30,073,938	-
0052	Security and monitoring services	2,647,251	-
0053	Data processing services	3,862,823	-
0061	Community services	113,350	-
DEBT SERVICE:			
0071	Principal on long-term debt	-	26,894,414
0072	Interest on long-term debt	-	18,354,610
0073	Bond issuance costs and fees	-	837,051
CAPITAL OUTLAY			
0081	Facilities acquisition and construction	477,528	-
INTERGOVERNMENTAL:			
0095	Payments to juvenile justice alternative Ed. Prg	54,205	-
0097	Payments to tax increment fund	3,294,807	-
0099	Other intergovernmental expenditures	369,936	-
6030	Total expenditures	<u>257,162,247</u>	<u>46,086,075</u>
1100	Excess (deficiency) of revenues over expenditures	<u>5,270,053</u>	<u>4,616,518</u>
<b>OTHER FINANCING SOURCES (USES) :</b>			
7901	Refunding bonds issued	-	13,090,000
7911	Capital-related debt issued (regular bonds)	-	-
7912	Sale of real or personal property	92,494	-
7915	Transfers in	870,800	-
7916	Premium or discount on issuance of bonds	-	135,955
7949	Other resources	31,800	-
8911	Transfers out	-	-
8940	Payment to refund bonds	-	(13,117,093)
7080	Total other financing sources (uses)	<u>995,094</u>	<u>108,862</u>
1200	Net change in fund balances	6,265,147	4,725,380
0100	Fund balances--beginning	<u>56,934,839</u>	<u>8,921,469</u>
3000	Fund balances--ending	\$ <u>63,199,986</u>	\$ <u>13,646,849</u>

*The accompanying notes are an integral part of this statement.*

EXHIBIT C-3

	60 Capital Projects	Non-Major Governmental Funds	98 Total Governmental Funds
\$	1,170,924	\$ 6,542,933	\$ 113,073,162
	-	9,711,551	216,802,562
	-	27,257,619	27,942,196
	<u>1,170,924</u>	<u>43,512,103</u>	<u>357,817,920</u>
	1,325,919	23,741,707	181,332,659
	11,702	7,628	5,327,334
	-	769,370	4,570,229
	7,190	482,441	4,084,904
	-	45,274	15,063,169
	-	1,054,206	10,696,041
	-	59,269	196,372
	9,350	-	2,956,233
	774,369	120,837	4,603,520
	-	15,739,945	16,259,087
	184,534	6,578	8,763,318
	352,587	-	7,108,449
	381,164	1,250	30,456,352
	-	4,600	2,651,851
	1,065,229	-	4,928,052
	-	128,844	242,194
	-	-	26,894,414
	-	-	18,354,610
	147,802	-	984,853
	33,126,442	-	33,603,970
	-	-	54,205
	-	-	3,294,807
	-	-	369,936
	<u>37,386,288</u>	<u>42,161,949</u>	<u>382,796,559</u>
	<u>(36,215,364)</u>	<u>1,350,154</u>	<u>(24,978,639)</u>
	-	-	13,090,000
	24,735,000	-	24,735,000
	323,976	-	416,470
	-	-	870,800
	412,802	-	548,757
	337,293	-	369,093
	-	(870,800)	(870,800)
	-	-	(13,117,093)
	<u>25,809,071</u>	<u>(870,800)</u>	<u>26,042,227</u>
	(10,406,293)	479,354	1,063,588
	<u>59,023,086</u>	<u>4,908,131</u>	<u>129,787,525</u>
\$	<u><u>48,616,793</u></u>	<u><u>5,387,485</u></u>	<u><u>130,851,113</u></u>

**MESQUITE INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2009**

<b>TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS</b>	<b>\$ 1,063,588</b>
The District uses internal service funds to charge the costs of self-insurance to appropriate functions in other funds. The change in net assets of internal service funds are reported as governmental activities.	2,069,753
Current year capital outlays are expenditures in the governmental fund financial statements, but they are shown as an increase in capital assets in the district-wide financial statements.	44,952,879
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources.	(17,976,379)
Current year bond proceeds are other financing sources in the governmental fund financial statements, but are shown as reductions to long-term debt in the district-wide financial statements.	(37,825,000)
Current year long-term debt principal payments on contractual obligations are expenditures in the governmental fund financial statements, but are shown as reductions in long-term debt in the district-wide financial statements.	26,894,414
Current year payments to refund debt are other uses in the fund financial statements, but are shown as reductions in long-term debt in the district-wide financial statements. This includes the amount as payment to refund bonds (\$13,117,093) plus amounts paid by the District from prior debt service funds (\$159,886), less amounts representing interest (\$126,949).	13,150,000
Current year increase in the accretion on capital appreciation bonds is not reflected in the governmental fund financial statements, but is shown as increases in accreted interest on the district-wide financial statements.	(2,859,380)
Interest is accrued on outstanding debt in the district-wide financial statements, whereas in the governmental fund financial statements an interest expenditure is reported when due. This amount represents the current year change in accrued interest.	(94,937)
Bond issuance costs are recorded as expenditures in the governmental fund financial statements when debt is issued, but it is amortized over the term of the bonds in the district-wide financial statements. This amount represents current year addition to bond issuance costs (\$252,802) and amortization of current bond issue costs (\$98,328).	154,474
Premiums and discounts associated with bonds payable are reported as as other sources/uses in the fund financial statements when bonds are issued. Amounts are reported net of amortization in the district-wide financial statements. The effect of current amortization of bond premiums (\$1,162,071) and bond discounts (\$144,382) was to increase net assets.	1,017,689
Amortization of deferred refunding amount is not recognized in the governmental funds. The effect of recording current year's amortization is to decrease net assets.	(530,389)
Current year additions to bond discounts (\$311,126) and current year additions to premium on bonds (\$859,883) is not reflected in the governmental fund financial statements, but is shown as an decrease in net assets.	(548,757)
Revenue from property taxes is deferred in the governmental fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when assessed net of an allowance for uncollectible accounts in the district-wide statements. This amount represents the current year change in deferred property taxes.	560,855
<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ 30,028,810</b>

*The accompanying notes are an integral part of this statement.*

**MESQUITE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
AUGUST 31, 2009**

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	<u>Internal Service Funds</u>
<b>ASSETS</b>	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 8,394,178
Inventory	321,607
Other current assets	330,562
Total assets	<u>9,046,347</u>
<b>LIABILITIES</b>	
CURRENT LIABILITIES:	
Accounts payable	6,146
Due to other funds	1,893,323
Accrued expenses	4,379,847
Total liabilities	<u>6,279,316</u>
<b>NET ASSETS</b>	
Unrestricted	2,767,031
Total net assets	<u>\$ 2,767,031</u>

*The accompanying notes are an integral part of this statement.*

**MESQUITE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2009**

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	<u>Governmental Activities-</u>
	<u>Internal Service Funds</u>
<b>OPERATING REVENUES:</b>	
Charges for services	\$ 26,905,651
Total operating revenues	<u>26,905,651</u>
<b>OPERATING EXPENSES:</b>	
Personal services	1,222,115
Contractual services	58,679
Other supplies and expenses	6,031,507
Insurance claims and expenses	17,467,912
Other operating costs	110,088
Total operating expenses	<u>24,890,301</u>
Operating income	<u>2,015,350</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>	
Earnings from temporary deposits and investments	54,403
Total nonoperating revenue (expenses)	<u>54,403</u>
Change in net assets	2,069,753
Total net assets—beginning	<u>697,278</u>
Total net assets—ending	<u>\$ 2,767,031</u>

*The accompanying notes are an integral part of this statement.*

**MESQUITE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2009**

	<u>Internal Service Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from transactions with other funds	\$ 26,924,780
Payments to suppliers	(5,940,089)
Payments to employees	(1,255,034)
Claims paid	(17,801,617)
Net cash provided by operating activities	<u>1,928,040</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment earnings	<u>54,403</u>
Net cash provided by investing activities	<u>54,403</u>
Net increase in cash and cash equivalents	1,982,443
Balances—beginning of the year	<u>6,411,735</u>
Balances—end of the year	<u>\$ 8,394,178</u>
<b>Reconciliation of operating income to net cash used in operating activities:</b>	
Operating income	\$ 2,015,350
Effect of increases and decreases in current assets and liabilities:	
Increase (decrease) in inventory	(20,404)
Increase (decrease) in other current assets	(14,306)
Decrease (increase) in interfund receivables	3,840
Decrease (increase) in accounts payable	(31,017)
Decrease (increase) in accrued expenses	(25,423)
Net cash provided by operating activities	<u>\$ 1,928,040</u>

*The accompanying notes are an integral part of this statement.*

**MESQUITE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY FUND NET ASSETS  
FIDUCIARY FUNDS  
AUGUST 31, 2009**

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	<u>Private Purpose Trust Funds</u>	<u>Agency Fund</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 147,673	\$ 87,262
Due from other funds	-	581,643
Total Assets	<u>147,673</u>	<u>668,905</u>
<b>LIABILITIES</b>		
Accounts payable	613	-
Due to other funds	900	16,486
Due to student groups	-	652,419
Total liabilities	1,513	<u>\$ 668,905</u>
<b>NET ASSETS</b>		
Unrestricted net assets	<u>146,160</u>	
Total net assets and liabilities	<u>\$ 147,673</u>	

*The accompanying notes are an integral part of this statement.*

**MESQUITE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY FUND NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2009**

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	<b>Private Purpose Trust Funds</b>
<b>ADDITIONS</b>	
Local and intermediate sources	<u>\$ 31,258</u>
Total additions	<u>31,258</u>
<b>DEDUCTIONS</b>	
Supplies and materials	9,561
Other operating costs	<u>18,617</u>
Total deductions	<u>28,178</u>
Change in net assets	3,080
Net assets September 1 (Beginning)	<u>143,080</u>
Net assets August 31 (Ending)	<u><u>\$ 146,160</u></u>

*The accompanying notes are an integral part of this statement.*

**MESQUITE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2009**

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

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

**Reporting Entity**

The Board of Trustees (the Board) is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) in its Statement No. 14, "The Financial Reporting Entity," as amended by GASB 39 "Determining Whether Certain Organizations Are Component Units." There are no component units included within the reporting entity.

**District-Wide and Fund Financial Statements**

The statement of net assets and the statement of activities are district-wide financial statements. They report information on all of the Mesquite Independent School 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. The District has no business type activities that rely, to a significant extent, on fees and charges for support.

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

Interfund activities between governmental funds and proprietary funds appear as due to/due from on the governmental fund balance sheet and proprietary fund statement of net assets and as other resources and other uses on the governmental fund statement of revenues, expenditures and changes in fund balance and on the proprietary fund statement of revenues, expenses and changes in fund net assets. All interfund transactions between governmental funds and internal service funds are eliminated on the district-wide statements. Interfund activities between governmental funds and fiduciary funds remain as payables/receivables on the district-wide statement of activities.

**MESQUITE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2009**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**District-Wide and Fund Financial Statements - continued**

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

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

Governmental fund financial statements are reported using 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 considers 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 are recorded only when payment is 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 sometimes require the District to refund all or part of the unused amounts.

**MESQUITE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2009**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation – continued**

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

**Fund Accounting**

The District reports the following major governmental funds:

1. **General Fund** – The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. **Debt Service Fund** – The debt service fund is utilized to account for the accumulation of resources and the payment of general long-term debt principal, interest, and related costs arising from general obligation bonds.
3. **Capital Projects Fund** – The capital projects fund is utilized to account for financial resources to be used for the acquisition or construction of major capital facilities. Such resources are derived from proceeds of General Obligation Bonds and interest earned on such monies and local sources designated for such purposes.

Additionally, the District reports the following nonmajor fund type(s):

**Governmental Funds:**

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

**Proprietary Funds:**

2. **Internal Service Funds** – Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in an internal service fund. The District's Internal Service Funds are Health Insurance and Worker's Compensation.

**MESQUITE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2009**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Fund Accounting - Continued**

**Fiduciary Funds:**

- 3. Private Purpose Trust Funds** – The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District's Private Purpose Trust Funds are the Meadows-O'Donnell Foundation, the Dairy Max, TASB Risk Grants and the Scholarship Fund.
- 4. Agency Funds** – The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Funds are the Student Activity Fund and the Payroll Clearing Fund.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows for proprietary funds, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

**Interfund Receivables and Payables**

Activities between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

**Property Taxes**

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

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

**MESQUITE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2009**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**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 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.

**Supplies, Materials and Commodities**

Supplies, materials and commodities to be utilized in governmental funds are recorded as expenditures under the consumption method. Under the consumption method, cost is recorded as an expenditure in the period the items are utilized. Inventories are stated at cost utilizing the first-in, first-out method.

**Capital Assets**

Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost or similar items purchased in one transaction of \$ 1,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements with total project costs of \$ 100,000 or greater are capitalized as they are constructed.

Land improvements, 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	10-40
Building Improvements	10-40
Vehicles	5-10
Equipment	5-10

**MESQUITE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2009**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Liability for Compensated Absences**

It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated vacation or sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**Long-Term Debt**

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Gains or losses on refunding are deferred and amortized over the lesser of the remaining life of the old debt or the life of the new debt using the straight line method. Bonds payable are reported net of the applicable bond premium or discount and gain or loss on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

**Net Assets and Fund Balance**

**District-Wide Financial Statements**

When the District incurs an expense for which it may use either restricted or unrestricted net assets, it uses restricted net assets first unless unrestricted net assets will have to be returned because they were not used. Net assets on the Statement of Net Assets include the following:

Invested in Capital Assets, Net of Related Debt – The component of net assets that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

**MESQUITE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2009**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Net Assets and Fund Balance - continued**

**District-Wide Financial Statements - continued**

Restricted for Food Service – The component of net assets that reports the difference between assets and liabilities of the Food Service Fund that consists of assets with constraints placed on their use by the U.S. Department of Agriculture.

Restricted for Debt Service – The component of net assets that reports the financial resources restricted to pay debt service on capital related debt less current accrual of interest.

Unrestricted – The difference between the assets and liabilities that is not reported in Net Assets Invested in Capital Assets, Net of Related Debt, Net Assets Restricted for Food Service or Net Assets Restricted for Debt Service Fund

**Governmental Fund Financial Statements**

In the fund financial statements, governmental funds report fund balances as either a reserved fund balance or an unreserved fund balance.

Reserved Fund Balance – That portion of fund balance which is not available for appropriation or which has been legally segregated for a specific purpose.

Unreserved Fund Balance – Composed of designated and undesignated portions. The undesignated portion of the unreserved fund balance represents that portion of fund balance that is available for budgeting in future periods. Designated fund balances represent tentative plans for future use of financial resources.

**Encumbrance Accounting**

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas Law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. Encumbrances are reported as a reservation of fund balances in the governmental fund financial statements. Encumbrances outstanding at August 31, 2009 that were provided for in the subsequent year's budget are:

General Fund	\$	1,034,688
Special Revenue Fund - Food Service		1,350,661
Capital Project Funds		<u>1,189,474</u>
Total	\$	<u><u>3,574,823</u></u>

**MESQUITE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2009**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Data Codes**

The Data Control Codes refer to the account code structure prescribed by The Texas Education Agency (“TEA”) in the *Financial Accountability System Resource Guide*. TEA requires school districts to display these codes in the financial statements filed with the TEA in order to insure accuracy in building a statewide database for policy development and funding plans.

**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 estimates as of August 31, 2009 will change.

**NOTE 2. CASH AND INVESTMENTS**

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

At August 31, 2009, the carrying amount of the District's cash deposits held at the depository bank was \$1,635,758 and the bank balance was \$3,946,878. The District's cash deposits at August 31, 2009 and during the year ended August 31, 2009 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

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

- a. Depository: Prosperity Bank.
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$42,150,220.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$36,543,627 and occurred during the month of August 2009.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$500,000.

**MESQUITE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2009**

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**NOTE 2. CASH AND INVESTMENTS- CONTINUED**

Legal and contractual provisions governing deposits and investments:

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes and the District's investment policy authorized the District to invest in the following investments as summarized in the table below:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
U.S. Treasury Obligations	10 Years	None	None
U.S. Agencies Securities	10 Years	None	None
Letters of Credit	10 Years	None	None
Certificates of Deposits	n/a	None	None
Repurchase Agreements	90 Days	None	None
Securities Lending Program	1 Year	None	None
Banker's Acceptance	270 Days	None	None
Commercial Paper	270 Days	None	None
Money Market Mutual Funds	90 Days	None	None
Mutual Funds	2 Years	None	None
Guaranteed Investment Contracts	5 Years	None	None
Investment Pools	n/a	None	None

The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

Cash and investments as of August 31, 2009 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and cash equivalents	\$ 99,294,419
Current investments	43,395,074
Fiduciary funds:	
Cash and cash equivalents	<u>234,935</u>
Total cash and investments	<u>\$ 142,924,428</u>

**MESQUITE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2009**

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**NOTE 2. CASH AND INVESTMENTS- CONTINUED**

Cash and investments as of August 31, 2009 consist of the following:

Cash on hand	\$ 24,643
Deposits with financial institutions	1,635,758
Investments	<u>141,264,027</u>
Total cash and investments	<u>\$ 142,924,428</u>

**Disclosures relating to interest rate risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by investing mainly in investment pools which purchase a combination of shorter term investments with an average maturity of less than 60 days thus reducing the interest rate risk. The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The District has no specific limitations with respect to this metric.

As of August 31, 2009, the District had the following investments

<u>Investment Type</u>		<u>Weighted Average Maturity</u>
U.S. Government Obligations	\$ 43,395,074	152 days
Certificates of Deposit	37,596,728	203 days
Money Market Accounts -TexPool	47,716,900	82 days
Money Market Accounts -Texstar	<u>12,555,325</u>	89 days
Total	<u>\$ 141,264,027</u>	

As of August 31, 2009 the District did not invest in any securities which are highly sensitive to interest rate fluctuations.

**Disclosures relating to credit risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the Public Funds Investment Act, the District's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

**MESQUITE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2009**

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**NOTE 2. CASH AND INVESTMENTS- CONTINUED**

<u>Investment Type</u>		<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>
U.S. Government Obligations	\$ 43,395,074	N/A	N/A
Certificates of Deposit	37,596,728	N/A	N/A
Money Market Accounts -TexPool	47,716,900	N/A	AAAm
Money Market Accounts -Texstar	<u>12,555,325</u>	N/A	AAAm
Total	<u>\$ 141,264,027</u>		

**Concentration of credit risk**

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer. As of August 31, 2009 other than external investment pools, the District did not have 5% or more of its investment with one issuer.

**Custodial credit risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

As of August 31, 2009 the District deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

The Texas Local Investment Pool is a local government investment pool which operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. This type of investment pool uses amortized costs rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in these pools is the same as the value of the shares in each pool. The Texas Local Government Investment Pool is organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Pool is governed by an Advisory Board composed equally of participants in the Pool and other persons who do not have a business relationship with the Pool who are qualified to advise the Pool.

**MESQUITE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2009**

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**NOTE 3. DUE FROM OTHER GOVERNMENTS**

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2009, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments. Furthermore, there are times when overpayment is received from a State Agency and money may be due to other governments.

	General Fund	Non-Major Governmental Funds	Total
State Entitlement	\$ 5,360,079	\$ -	\$ 5,360,079
Federal Grants	-	5,728,539	5,728,539
	<u>\$ 5,360,079</u>	<u>\$ 5,728,539</u>	<u>\$ 11,088,618</u>

**NOTE 4. OTHER RECEIVABLES**

Other receivables as of August 31, 2009, for the District's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate are as follows:

	General Fund	Capital Projects Fund	Non-Major Funds	Total
City Crossing Guards	\$ 121,615	\$ -	\$ -	\$ 121,615
TAMU Rent and Utilities	70,575	-	-	70,575
City of Mesquite Utilities	95,116	-	-	95,116
Sunnyvale ISD	122,761	-	-	122,761
City of Mesquite Land Purchase	-	658,693	-	658,693
Scoreboard	33,166	-	-	33,166
PAMS	-	-	102	102
Miscellaneous	25,350	-	-	25,350
	<u>\$ 468,583</u>	<u>\$ 658,693</u>	<u>\$ 102</u>	<u>\$ 1,127,378</u>

**MESQUITE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2009**

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**NOTE 5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund balances at August 31, 2009 consisted of the following individual fund receivables and payables:

<u>Due to Fund</u>	<u>Due from Fund</u>	<u>Amount</u>
Capital Projects Fund	General Fund	\$ 2,629
General Fund	Capital Projects Fund	1,337,544
General Fund	Debt Service Fund	398
General Fund	Internal Service	1,893,323
General Fund	Non-major Governmental	5,329,277
General Fund	Trust and Agency	16,486
General Fund	Trust and Agency	900
Trust and Agency	General Fund	581,643
Non-major Governmental	General Fund	391,674
Non-major Governmental	Trust and Agency	738
		<u>\$ 9,554,612</u>

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

Interfund transfers for the year ended August 31, 2009 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Reason</u>
Non-major Governmental	General	\$ 870,800	Food Service Transfer
		<u>\$ 870,800</u>	

**MESQUITE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2009**

**NOTE 6. CAPITAL ASSET ACTIVITY**

Capital asset activity for the District for the year ended August 31, 2009, was as follows:

<u>Governmental Activities:</u>	<u>Primary Government</u>				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Ending Balance</u>
Non-depreciable assets					
Land	\$ 11,232,118	\$ 4,845,284	\$ -	\$ -	\$ 16,077,402
Construction In Progress	6,147,215	25,875,138	-	(25,481,655)	6,540,698
Total Non-depreciable assets	<u>17,379,333</u>	<u>30,720,422</u>	<u>-</u>	<u>(25,481,655)</u>	<u>22,618,100</u>
Depreciable assets					
Buildings and Improvements	496,472,041	-	(13,038)	25,481,655	521,940,658
Furniture and Equipment	59,777,446	14,232,457	(937,415)	-	73,072,488
Total depreciable assets	<u>556,249,487</u>	<u>14,232,457</u>	<u>(950,453)</u>	<u>25,481,655</u>	<u>595,013,146</u>
Less Accumulated Depreciation for:					
Buildings and Improvements	147,555,905	12,170,643	(13,038)	-	159,713,510
Furniture and Equipment	29,299,811	5,805,736	(937,415)	-	34,168,132
Total Accumulated Depreciation	<u>176,855,716</u>	<u>17,976,379</u>	<u>(950,453)</u>	<u>-</u>	<u>193,881,642</u>
Total Capital Assets, Net	<u>\$ 396,773,104</u>	<u>\$ 26,976,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 423,749,604</u>

Depreciation expense was charged to governmental functions as follows:

<u>Governmental Function</u>	<u>Depreciation</u>
Instruction	\$ 12,364,815
Instructional Resources and Media Services	311,682
Curriculum Development and Instructional Staff Development	204,503
Instructional Leadership	284,237
School Leadership	1,120,095
Guidance, Counseling and Evaluation Services	747,873
Social Work Services	14,984
Health Services	219,256
Student (Pupil) Transportation	227,128
Food Services	494,309
Cocurricular/Extracurricular Activities	251,469
General Administration	445,158
Plant Maintenance and Operations	964,715
Security and Monitoring Service	113,068
Data Processing Services	197,177
Community Services	4,779
Construction	11,131
Total Depreciation Expense	<u>\$ 17,976,379</u>

**MESQUITE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2009**

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**NOTE 7. DEFERRED REVENUE**

Deferred revenue reported in the governmental funds at year end consisted of the following:

	General Fund	Debt Service Fund	Non-Major Governmental Funds	Total
Tax Revenue	\$ 3,900,568	\$ 1,264,186	\$ -	\$ 5,164,754
Cheerleader Receipts	200,809	-	-	200,809
State Grant Awards	-	-	74,615	74,615
Prepaid PAMS	-	-	252,135	252,135
	<u>\$ 4,101,377</u>	<u>\$ 1,264,186</u>	<u>\$ 326,750</u>	<u>\$ 5,692,313</u>

Tax revenue reported as deferred revenue in the governmental funds is recorded as revenue in the district-wide financial statements. Accordingly, deferred tax revenue is excluded in the district-wide financial statements.

**NOTE 8. LONG-TERM DEBT**

**Unlimited Tax Bonds**

The District issues unlimited tax bonds for the governmental activities to provide funds for the acquisition and construction of major capital facilities. Unlimited tax bonds are direct obligations and pledge the full faith and credit of the District. Bonded indebtedness of the District is reflected in the government-wide financial statements. Current requirements for principal and interest expenditures are payable solely from future revenues of the Debt Service Fund which consists principally of property taxes collected by the District and interest earnings.

The District has five issues containing zero coupon bonds. Accordingly, the accretion of interest on these zero coupon bonds has been recorded in the district-wide financial statements. Interest accreted on these bonds during the current year in the amount of \$2,859,380.

**MESQUITE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2009**

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**NOTE 8. LONG-TERM DEBT – CONTINUED**

Unlimited tax bonds outstanding as of August 31, 2009 are as follows:

Purpose and Lawful Authority	Interest Rate	Final Maturity	Amount of Original Issue	Amounts Outstanding 08/31/09
Unlimited Tax School Building Bonds, Series 2000	Variable	2025	\$ 40,000,000	\$ 29,233,758
Unlimited Tax School Building and Refunding Bonds, Series 2000A	3.20 6.25%	2020	22,064,982	633,187
Unlimited Tax School Building Bonds, Series 2001 QZAB	0.00%	2015	3,759,224	1,611,096
Unlimited Tax School Building and Refunding Bonds, Series 2001	4.50 to 5.00%	2021	8,740,000	6,065,000
Unlimited Tax School Building and Refunding Bonds, Series 2002	3.00 to 6.20%	2025	83,654,475	28,141,872
Unlimited Tax School Building and Refunding Bonds, Series 2003	1.519 to 5.5%	2022	38,259,999	28,335,000
Variable Rate School Building Unlimited Tax Bonds, Series 2003A	Variable	2029	30,000,000	29,535,000
Unlimited Tax Refunding Bonds, Series 2004	3.25 to 5.00%	2013	13,965,000	13,965,000
Unlimited Tax School Building and Refunding Bonds, Series 2004A	4.00 to 5.25%	2015	49,025,000	27,400,000
Unlimited Tax Refunding Bonds, Series 2005	2.50 to 5.00%	2020	40,344,982	39,474,982
Unlimited Tax School Building and Refunding Bonds, Series 2005A	3.50 to 5.28%	2031	114,815,180	103,670,180
Unlimited Tax School Building Bonds, Series 2006	4.50 to 5.00%	2031	28,765,000	27,065,000
Unlimited Tax School Building and Refunding Bonds, Series 2007	4.50 to 5.23%	2032	70,520,219	63,360,219
Unlimited Tax School Building and Refunding Bonds, Series 2008	4.00%	2019	13,090,000	9,750,000
Unlimited Tax School Building Bonds, Series 2009	2.50 to 4.25%	2033	\$ 24,735,000	24,735,000
Total bonded debt principal payable				<u>\$ 432,975,294</u>

**Interest Rate Swap**

As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance in August, 2003, the District entered into an interest rate swap in connection with its \$30 million Series 2003-A variable-rate school building unlimited tax bonds. The intention of the swap was to effectively change the District's variable interest rate on the bonds to a synthetic fixed rate of 4.458%.

**MESQUITE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2009**

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**NOTE 8. LONG-TERM DEBT – CONTINUED**

**Interest Rate Swap - Continued**

The bonds and the related swap agreement mature on August 1, 2029, and the swap's notional amount of \$30 million matches the \$30 million variable-rate bonds. The swap was entered at the same time the bonds were issued (August, 2003). Under the swap, the District pays the counterparty a fixed payment of 4.458% and receives a variable payment based on The Bond Market Association Municipal Swap Index (BMA), which was 0.39% at August 31, 2009.

Because interest rates have declined since execution of the swap, the swap had a negative fair value of \$4,524,895 as of August 31, 2009. The swap's negative fair value may be countered by a reduction in total interest payments required under the variable-rate bonds, creating a lower synthetic interest rate. Because the coupons on the District's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

As of August 31, 2009, the District was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the District would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was rated AA by Fitch Ratings and Standard & Poor's and Aa2 by Moody's Investor Service as of August 31, 2009. To mitigate the potential for credit risk, if the counterparty's credit quality falls below BBB/Baa3, the fair value of the swap will be fully collateralized by the counterparty with U.S. government securities. Collateral would be posted with a third-party custodian.

The District shall have the right to optionally terminate the swap agreement at any time over the term of the agreement at the then prevailing market value of the swap. The counterparty shall not have the elective right to terminate the swap agreement as no termination option was priced into the terms of the swap at inception.

Using rates as of August 31, 2009 debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

**MESQUITE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2009**

**NOTE 8. LONG-TERM DEBT – CONTINUED**

**Debt Service Requirements**

Debt service requirements are as follows:

Year Ending August 31	Variable - Rate Bonds			Total Requirements
	Principal	Interest	Interest Rate Swaps, Net	
2010	\$ 90,000	\$ 1,201,484	\$ 115,187	\$ 1,406,671
2011	95,000	1,197,823	114,836	1,407,659
2012	100,000	1,193,958	114,465	1,408,423
2013	105,000	1,189,890	114,075	1,408,965
2014	110,000	1,185,619	113,666	1,409,285
2015-2019	2,815,000	5,856,293	561,444	9,232,737
2020-2024	13,160,000	4,306,588	412,874	17,879,462
2025-2029	13,060,000	1,389,425	133,205	14,582,630
	<u>\$ 29,535,000</u>	<u>\$ 17,521,080</u>	<u>\$ 1,679,752</u>	<u>\$ 48,735,832</u>

Debt service requirements to maturity are as follows (excluding maturities on the 2003-A issue, which is reflected above):

Year Ending August 31	General Obligation		Total Requirements
	Principal	Interest	
2010	\$ 26,238,899	\$ 16,975,233	\$ 43,214,132
2011	25,474,135	16,321,205	41,795,340
2012	26,227,663	15,260,143	41,487,806
2013	25,109,667	15,931,357	41,041,024
2014	25,671,027	12,163,994	37,835,021
2015-2019	121,125,404	54,989,580	176,114,984
2020-2024	79,194,006	51,885,096	131,079,102
2025-2029	54,946,442	36,388,728	91,335,170
2030-2033	19,453,051	19,370,623	38,823,674
	<u>\$ 403,440,294</u>	<u>\$ 239,285,960</u>	<u>\$ 642,726,254</u>

There are a number of limitations and restrictions contained in the unlimited tax school building and refunding bond indenture. The District is in compliance with all significant limitations and restrictions at August 31, 2009.

During 2009, there was a partial defeasance of the Series 2000 Variable Rate School Building Unlimited Tax Bonds totaling \$3,000,000 in principal and \$30,000 in interest.

**MESQUITE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2009**

**NOTE 8. LONG-TERM DEBT – CONTINUED**

**Refunding**

In prior years and the current year, the District defeased certain unlimited tax school building bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. As of August 31, 2009, \$147,200,322 of bonds considered defeased are still outstanding.

During the year ended August 31, 2009, the District issued \$24,735,000 of Unlimited School Building Bonds and \$13,090,000 of Unlimited Tax Refunding Bonds. Of these amounts, \$13,276,949 was deposited in a District bank account to provide for all future debt payments of the refunded bonds; which were paid during 2009. The remaining proceeds were utilized to fund current capital expansion and acquisition. As a result, the refunded bonds are considered paid and the liability has been removed from the district-wide financial statements. This amount is being amortized over the remaining life of the debt and is classified as a reduction of long-term debt. This advance refunding was undertaken to reduce total debt service payments through the year 2019 by \$973,806 and resulted in a gross economic gain of \$888,512.

**Changes in Long-Term Liabilities**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Refunded Current Year</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Government Activities</b>						
Bonded Debt Payable	\$ 435,194,708	\$ 37,825,000	\$ (26,894,414)	\$ (13,150,000)	\$ 432,975,294	\$ 26,328,899
Deferred Loss on Refunding	(7,954,223)	-	530,389	-	(7,423,834)	-
	<u>427,240,485</u>	<u>37,825,000</u>	<u>(26,364,025)</u>	<u>(13,150,000)</u>	<u>425,551,460</u>	<u>26,328,899</u>
Accreted Interest	18,356,621	2,859,380	-	-	21,216,001	1,806,028
Premium on Bonds	20,249,414	859,883	(1,162,071)	-	19,947,226	-
Bond Discount	(2,649,476)	(311,126)	144,382	-	(2,816,220)	-
Long-term Liabilities	<u>\$ 463,197,044</u>	<u>\$ 41,233,137</u>	<u>\$ (27,381,714)</u>	<u>\$ (13,150,000)</u>	<u>\$ 463,898,467</u>	<u>\$ 28,134,927</u>

All long-term liabilities are liquidated in the Debt Service Fund.

**NOTE 9. GENERAL FUND FEDERAL SOURCE REVENUES**

During the current year, general fund federal source revenues consisted of the following:

<u>Program or Source</u>	<u>CFDA Number</u>	<u>Amount</u>	<u>Total Grant or Entitlement</u>
Medicaid and Administrative Consortium	N/A	\$ 100,802	\$ 100,802
Selective Reserve Educational Assistance	N/A	495,633	495,633
Medicaid Reimbursement	N/A	88,142	88,142
		<u>\$ 684,577</u>	<u>\$ 684,577</u>

**MESQUITE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2009**

**NOTE 10. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES**

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

	General Fund	Debt Service Fund	Capital Projects Fund	Non- Major Governmental	Total
Taxes, current	\$ 69,564,100	\$ 24,079,899	\$ -	\$ -	\$ 93,643,999
Taxes, prior years	938,172	294,061	-	-	1,232,233
Penalties and interest	833,562	267,069	-	-	1,100,631
Tax increment fund	102,830	1,000,000	-	-	1,102,830
Investment earnings	1,932,213	726,350	1,170,924	89,962	3,919,449
Insurance recovery	85,104	-	-	-	85,104
Tuition from patrons	788,287	-	-	-	788,287
Athletic activities	725,528	-	-	-	725,528
Rent	511,439	-	-	-	511,439
Food service activities	-	-	-	6,042,247	6,042,247
Gifts and bequests	79,109	-	-	318,706	397,815
Extra/Cocurricular	1,894,945	-	-	-	1,894,945
Enterprising revenues	891,691	-	-	92,018	983,709
Other	644,946	-	-	-	644,946
	<u>\$ 78,991,926</u>	<u>\$ 26,367,379</u>	<u>\$ 1,170,924</u>	<u>\$ 6,542,933</u>	<u>\$ 113,073,162</u>

**NOTE 11. DEFINED BENEFIT PENSION PLAN**

**Plan Description**

The District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. It is a cost-sharing public employee retirement system (PERS), with one exception: all risk and costs are not shared by the employer. By statute, the State of Texas contributes to the retirement system an amount equal to the current authorized rate times the aggregate annual compensation of all members of the retirement system during the fiscal year. For members of the retirement system entitled to the minimum salary for certain school personnel under § 16.056, Texas Education Code, the District shall pay the state's contribution on the portion of the member's salary that exceeds the statutory minimum. 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](http://www.trs.state.tx.us), under the TRS Publications heading.

**Types of Employees Covered**

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

**MESQUITE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2009**

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**NOTE 11. DEFINED BENEFIT PENSION PLAN – CONTINUED**

**Benefit Provisions**

The Teacher Retirement System of Texas administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school system of Texas. It operates primarily under the provisions of Texas Constitution, Article XVI, § 67 and Texas Government Code, Title 8, Subtitle C. The system also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapter 803 and Chapter 805, respectively.

Service Retirement:

- 1) Normal
  - a) Age 65 with 5 years of service
  - b) Any combination of age plus years of service which equals 80
- 2) Reduced
  - a) Age 55 with at least 5 years of service
  - b) Any age below 50 with 30 years of service

A member is fully vested after five years of creditable service and entitled to any benefit for which eligibility requirements have been met.

**Funding Policy**

State law provides for fiscal years 2009, 2008 and 2007 a state contribution rate of 6.0% and a member contribution rate of 6.4%. In certain instances the reporting district is required to make all or a portion of the state's 6.0% contribution. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during that fiscal year; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a the particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State contributions to TRS made on behalf of the District's employees for the years ended August 31, 2009, 2008 and 2007 were \$10,687,181, \$10,341,425, and \$9,257,616, respectively. The District paid additional state contributions for the years ended August 31, 2009, 2008 and 2007 in the amount of \$2,452,921, \$1,982,154, and \$1,581,417, respectively, on the portion of the employees' salaries that exceeded the statutory minimum.

**MESQUITE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2009**

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**NOTE 12. RETIREE HEALTH PLAN**

**Plan Description.** The Mesquite Independent School District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS Web site at [www.trs.state.tx.us](http://www.trs.state.tx.us), by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling 1-800-223-8778.

**Funding Policy.** Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2009, 2008 and 2007. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2009, 2008, and 2007, the State's contributions to TRS-Care were \$1,883,566, \$1,780,013, and \$1,691,264, respectively, the active member contributions were \$1,224,318, \$1,157,008, and \$1,099,321, respectively, and the school district's contributions were \$1,035,961, \$979,007, and \$930,195, respectively, which equaled the required contributions each year.

**NOTE 13. RISK MANAGEMENT**

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

**Health Care Coverage**

During the year ended August 31, 2009, employees of the District were covered by a health insurance plan (the Plan). Employees, at their option, authorized payroll withholdings to pay contributions for dependents or increased coverage. All contributions were paid to a self-funded pool. In accordance with state statute, the District was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through Intermediary Insurance Services, Inc., a commercial insurer licensed and eligible to do business in Texas in accordance with the Texas Insurance code. Stop loss coverage was in effect for individual claims exceeding \$150,000 and for aggregate loss, which is based on a factor determined monthly by Security Life Insurance Company. The aggregate stop-loss coverage for the month of August was \$1,000,000.

**MESQUITE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2009**

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**NOTE 13. RISK MANAGEMENT - CONTINUED**

**Workers' Compensation Coverage**

Beginning September 1, 1993, the District established a self-insurance plan for workers' compensation benefits. Prior to this time, the District was a member of the Texas Association of School Boards Workers' Compensation Self-Insurance Fund (the Fund). The Fund will continue to be liable for all claims before September 1, 1993.

Claims are paid by a third party administrator acting on behalf of the District under the terms of a contractual agreement. Administrative fees are included within the provisions of that agreement. According to state statute, the District is protected against unanticipated catastrophic claims and aggregate loss by coverage carried through American Home Insurance, a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code.

Coverage was in effect for specific occurrences exceeding \$300,000 and aggregate retention at \$5,000,000.

The costs associated with these self-insurance plans are reported as interfund transactions to the extent of amounts actuarially determined. Accordingly, they are treated as operating revenues of the Internal Service Funds and operating expenditures of the General Fund and the Special Revenue Funds. The liabilities of the medical and workers' compensation self-insurance plans (\$3,492,642 and \$887,205, respectively) include incurred but not reported claims. These liabilities reported in the funds at August 31, 2009 are based on the requirements of Governmental Accounting Standards Board No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. These liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors. Workers' compensation liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time were computed by an actuary and are reported at their present value using expected future investment yield assumption of 3%. Changes in the medical and workers' compensation claims liability amounts in fiscal 2009 and 2008 were:

<u>Self-Insurance Liability</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Less: Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
2008- medical	\$ 2,755,479	\$ 14,986,674	\$ 14,394,056	\$ 3,348,097
2009- medical	\$ 3,348,097	\$ 15,160,028	\$ 15,015,483	\$ 3,492,642
2008- workers' compensation	\$ 1,171,828	\$ 426,525	\$ 541,180	\$ 1,057,173
2009- workers' compensation	\$ 1,057,173	\$ 403,035	\$ 573,003	\$ 887,205

**MESQUITE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2009**

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**NOTE 14. 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 the administration, the outcome of these lawsuits will not have a materially adverse effect on the accompanying basic financial statements and accordingly, 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 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 at August 31, 2009 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.

**Future Construction**

The funds in the Capital Projects Fund will be used for future school construction and renovation. Commitments on outstanding construction contracts for future school construction and renovations totaled \$20,674,094 at August 31, 2009.

**NOTE 15. SHARED SERVICE AGREEMENTS**

**IDEA B**

The District participates in the IDEA B program with Sunnyvale Independent School District (member district). Mesquite Independent School District acts as the fiscal agent and provides services for the member district. The District's expenditures for the year ended August 31, 2009, totaled \$6,704,326.

**Deaf Education**

The District is the fiscal agent for the Deaf Education program with the following member districts: Garland Independent School District, Forney Independent School District, Kaufman Independent School District, Red Oak Independent School District, Rockwall Independent School District, Royse City Independent School District, Sunnyvale Independent School District, Terrell Independent School District, and Wills Point Independent School District. Mesquite Independent School District acts as the fiscal agent and provides services for the member districts. The District's expenditures for the year ended August 31, 2009, totaled \$1,337,170.

**REQUIRED SUPPLEMENTARY INFORMATION**

**MESQUITE INDEPENDENT SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
AUGUST 31, 2009**

Data Control Codes		Budgeted Amounts		Actual	Variance With
		Original	Final	Amounts GAAP BASIS	Final Budget Under or (Over)
<b>REVENUES</b>					
5700	Local and intermediate sources	\$ 80,230,703	\$ 79,223,000	\$ 78,991,926	\$ (231,074)
5800	State program revenues	177,879,640	181,212,700	182,755,797	1,543,097
5900	Federal program revenues	595,000	717,200	684,577	(32,623)
5020	Total revenues	<u>258,705,343</u>	<u>261,152,900</u>	<u>262,432,300</u>	<u>1,279,400</u>
<b>EXPENDITURES</b>					
CURRENT:					
0011	Instruction	154,459,864	156,300,000	156,265,033	34,967
0012	Instructional resources and media services	4,878,550	5,419,000	5,308,004	110,996
0013	Curriculum and staff development	3,746,475	3,903,900	3,800,859	103,041
0021	Instructional leadership	3,941,800	3,619,000	3,595,273	23,727
0023	School leadership	15,422,450	15,340,000	15,017,895	322,105
0031	Guidance, counseling, and evaluation services	9,586,600	9,883,045	9,641,835	241,210
0032	Social work services	136,950	142,550	137,103	5,447
0033	Health services	2,921,390	2,994,000	2,946,883	47,117
0034	Student transportation	4,810,300	4,070,800	3,708,314	362,486
0035	Food service	527,800	558,500	519,142	39,358
0036	Extracurricular activities	7,818,675	8,922,350	8,572,206	350,144
0041	General administration	7,428,050	6,800,000	6,755,862	44,138
0051	Plant maintenance and operations	32,976,250	30,700,000	30,073,938	626,062
0052	Security and monitoring services	2,607,500	2,650,200	2,647,251	2,949
0053	Data processing services	4,096,500	4,062,500	3,862,823	199,677
0061	Community services	163,800	172,200	113,350	58,850
CAPITAL OUTLAY					
0081	Facilities acquisition and construction	364,500	601,500	477,528	123,972
INTERGOVERNMENTAL:					
0095	Payments to juvenile justice alternative ed. prg	240,000	60,000	54,205	5,795
0097	Payments to tax increment fund	-	3,294,900	3,294,807	93
0099	Other intergovernmental	-	370,000	369,936	64
6030	Total expenditures	<u>256,127,454</u>	<u>259,864,445</u>	<u>257,162,247</u>	<u>2,702,198</u>
1100	Excess (deficiency) of revenues over expenditures	<u>2,577,889</u>	<u>1,288,455</u>	<u>5,270,053</u>	<u>3,981,598</u>
<b>OTHER FINANCING SOURCES (USES) :</b>					
7912	Sale of real or personal property	225,000	225,000	92,494	(132,506)
7915	Transfers in	970,800	769,700	870,800	101,100
8949	Other (Uses)	-	-	31,800	31,800
7080	Total other financing sources (uses)	<u>1,195,800</u>	<u>994,700</u>	<u>995,094</u>	<u>394</u>
1200	Net change in fund balances	3,773,689	2,283,155	6,265,147	3,981,992
0100	Fund balances--beginning	56,934,839	56,934,839	56,934,839	-
3000	Fund balances--ending	<u>\$ 60,708,528</u>	<u>\$ 59,217,994</u>	<u>\$ 63,199,986</u>	<u>\$ 3,981,992</u>

**MESQUITE INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE YEAR ENDED AUGUST 31, 2009**

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**NOTE 1. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgetary Information**

The Board of Education adopts an “appropriated budget” on a basis consistent with GAAP for the General Fund, Debt Service Fund and the Food Service Fund, a component of the Federal Special Revenue Fund. This District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds.

The following procedures are followed in establishing the budgetary data:

1. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board of Education is then called for the purpose of adopting the proposed budget after ten days public notice of the meeting has been given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board of Education. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. Significant amendments were made to the following functional areas:

<u>Function</u>	<u>Increase (Decrease)</u>
Revenue:	
Local Revenues	(\$1,007,703)
State Revenues	3,333,060
Expense:	
Instruction	1,840,136
Cocurricular/Extracurricular	1,103,675
Plant Maintenance and Operations	(2,276,250)

4. 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 Education. All budget appropriations lapse at year-end.
5. The Texas Education Agency requires these budgets to be filled with the Texas Education Agency on a designated date through the Public Education Information Management System (PEIMS). The budget should not exceed in any functional expenditure category under the TEA requirements. The original and final amended versions of these budgets are used in this report.

## **COMBINING STATEMENTS AND SCHEDULES**

**MESQUITE INDEPENDENT SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
AUGUST 31, 2009**

	<b>289</b>	<b>429</b>	<b>499</b>	<b>Total</b>
	<b>Other Federal Special Revenue Funds</b>	<b>Other State Special Revenue Funds</b>	<b>Local Special Revenue Funds</b>	<b>Nonmajor Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 5,660,946	\$ 72,905	\$ -	\$ 5,733,851
Due from other governments	2,356,133	3,372,406	-	5,728,539
Accrued interest	12,796	-	-	12,796
Due from other funds	105,397	119,974	167,041	392,412
Other receivables	102	-	-	102
Inventory	235,322	-	-	235,322
Deferred expenditures	-	10,981	-	10,981
Total assets	<u>\$ 8,370,696</u>	<u>\$ 3,576,266</u>	<u>\$ 167,041</u>	<u>\$ 12,114,003</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	786,122	34,488	6,277	826,887
Accrued wages payable	243,604	-	-	243,604
Due to other funds	1,940,592	3,388,685	-	5,329,277
Deferred revenues	252,135	74,615	-	326,750
Total liabilities	<u>3,222,453</u>	<u>3,497,788</u>	<u>6,277</u>	<u>6,726,518</u>
<b>Fund balances:</b>				
<b>Reserved For:</b>				
Investments in inventory	235,322	-	-	235,322
Deferred expenditures	-	10,981	-	10,981
Outstanding encumbrances	1,350,661	-	-	1,350,661
Food Service	3,562,260	-	-	3,562,260
<b>Unreserved and undesignated:</b>				
Special Revenue Funds	-	67,497	160,764	228,261
Total fund balances	<u>5,148,243</u>	<u>78,478</u>	<u>160,764</u>	<u>5,387,485</u>
Total liabilities and fund balances	<u>\$ 8,370,696</u>	<u>\$ 3,576,266</u>	<u>\$ 167,041</u>	<u>\$ 12,114,003</u>

**MESQUITE INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2009**

	<b>289</b>	<b>429</b>	<b>499</b>	<b>Total</b>
	<b>Other Federal Special Revenue Funds</b>	<b>Other State Special Revenue Funds</b>	<b>Local Special Revenue Funds</b>	<b>Nonmajor Governmental Funds</b>
<b>REVENUES</b>				
Total local and intermediate sources	\$ 6,223,509	\$ 718	\$ 318,706	\$ 6,542,933
State program revenues	248,100	9,463,451	-	9,711,551
Federal program revenues	27,257,619	-	-	27,257,619
Total revenues	<u>33,729,228</u>	<u>9,464,169</u>	<u>318,706</u>	<u>43,512,103</u>
<b>EXPENDITURES</b>				
Current:				
11 Instruction	14,383,044	9,230,882	127,781	23,741,707
12 Instructional resources and media services	-	22	7,606	7,628
13 Curriculum and staff development	742,857	15,951	10,562	769,370
21 Instructional leadership	452,734	29,707	-	482,441
23 School leadership	5,321	39,953	-	45,274
31 Guidance, counseling, and evaluation services	985,175	69,031	-	1,054,206
32 Social work services	59,269	-	-	59,269
34 Student transportation	113,337	-	7,500	120,837
35 Food service	15,739,945	-	-	15,739,945
36 Extracurricular activities	3,190	145	3,243	6,578
51 Plant maintenance and operations	-	-	1,250	1,250
52 Security and monitoring services	4,600	-	-	4,600
61 Community services	128,844	-	-	128,844
Total expenditures	<u>32,618,316</u>	<u>9,385,691</u>	<u>157,942</u>	<u>42,161,949</u>
Excess (deficiency) of revenues over expenditures	<u>1,110,912</u>	<u>78,478</u>	<u>160,764</u>	<u>1,350,154</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(870,800)	-	-	(870,800)
Total other financing sources and uses	<u>(870,800)</u>	<u>-</u>	<u>-</u>	<u>(870,800)</u>
Net change in fund balances	240,112	78,478	160,764	479,354
Fund balances—beginning	4,908,131	-	-	4,908,131
Fund balances—ending	<u>\$ 5,148,243</u>	<u>\$ 78,478</u>	<u>\$ 160,764</u>	<u>\$ 5,387,485</u>

**MESQUITE INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDS  
AUGUST 31, 2009**

	<b>780 Health Insurance Fund</b>	<b>790 Workers Compensation Fund</b>	<b>Total Internal Service fund</b>
<b>ASSETS</b>			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 3,190,274	\$ 5,203,904	\$ 8,394,178
Inventory	321,607	-	321,607
Other current assets	320,804	9,758	330,562
Total assets	<u>3,832,685</u>	<u>5,213,662</u>	<u>9,046,347</u>
<b>LIABILITIES</b>			
CURRENT LIABILITIES:			
Accounts payable	4,774	1,372	6,146
Due to other funds	173	1,893,150	1,893,323
Accrued expenses	3,492,642	887,205	4,379,847
Total liabilities	<u>3,497,589</u>	<u>2,781,727</u>	<u>6,279,316</u>
<b>NET ASSETS</b>			
Unrestricted	335,096	2,431,935	2,767,031
Total net assets	<u>\$ 335,096</u>	<u>\$ 2,431,935</u>	<u>\$ 2,767,031</u>

**MESQUITE INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2009**

	<b>780 Health Insurance Fund</b>	<b>790 Workers Compensation Fund</b>	<b>Total Internal Service Fund</b>
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 25,905,210	\$ 1,000,441	\$ 26,905,651
Total operating revenues	<u>25,905,210</u>	<u>1,000,441</u>	<u>26,905,651</u>
<b>OPERATING EXPENSES:</b>			
Personal services	959,511	262,604	1,222,115
Professional and contractual services	45,799	12,880	58,679
Supplies and materials	6,027,354	4,153	6,031,507
Insurance claims and expenses	17,063,214	404,698	17,467,912
Other operating costs	1,191	108,897	110,088
Total operating expenses	<u>24,097,069</u>	<u>793,232</u>	<u>24,890,301</u>
Operating income (loss)	<u>1,808,141</u>	<u>207,209</u>	<u>2,015,350</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Earnings from temporary deposits and investments	5,684	48,719	54,403
Total nonoperating revenue (expenses)	<u>5,684</u>	<u>48,719</u>	<u>54,403</u>
Change in net assets	1,813,825	255,928	2,069,753
Net assets—beginning	(1,478,729)	2,176,007	697,278
Net assets—ending	<u>\$ 335,096</u>	<u>\$ 2,431,935</u>	<u>\$ 2,767,031</u>

**MESQUITE INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2009**

	<b>780 Health Insurance Fund</b>	<b>790 Workers Compensation Fund</b>	<b>Total Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from transactions with other funds	\$ 25,924,339	\$ 1,000,441	\$ 26,924,780
Payments to suppliers	(5,935,936)	(4,153)	(5,940,089)
Payments to employees	(1,005,310)	(249,724)	(1,255,034)
Claims paid	(17,063,214)	(738,403)	(17,801,617)
Net cash provided by operating activities	<u>1,919,879</u>	<u>8,161</u>	<u>1,928,040</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment earnings	<u>5,684</u>	<u>48,719</u>	<u>54,403</u>
Net cash provided by investing activities	<u>5,684</u>	<u>48,719</u>	<u>54,403</u>
Net increase in cash and cash equivalents	1,925,563	56,880	1,982,443
Balances—beginning of the year	<u>1,264,711</u>	<u>5,147,024</u>	<u>6,411,735</u>
Balances—end of the year	<u>\$ 3,190,274</u>	<u>\$ 5,203,904</u>	<u>\$ 8,394,178</u>
<b>Reconciliation of operating income to net cash used in operating activities:</b>			
Operating income	\$ 1,808,141	\$ 207,209	\$ 2,015,350
Adjustments to reconcile operating income (loss) to net cash used in operating activities:			
Increase (decrease) in inventory	(20,404)	-	(20,404)
Increase (decrease) in other current assets	(14,305)	(1)	(14,306)
Decrease (increase) in interfund receivables	19,129	(15,289)	3,840
Decrease (increase) in accounts payable	(17,227)	(13,790)	(31,017)
Decrease (increase) in accrued expenses	144,545	(169,968)	(25,423)
Net cash provided by operating activities	<u>\$ 1,919,879</u>	<u>\$ 8,161</u>	<u>\$ 1,928,040</u>

**MESQUITE INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF NET ASSETS  
PRIVATE PURPOSE TRUST FUNDS  
AUGUST 31, 2009**

	<b>806 Meadows O'Donnell Foundation</b>	<b>807 Dairy Max Grant</b>	<b>808 TASB Risk Grant</b>	<b>810 Scholarship Fund</b>	<b>Total Private Purpose Trust Funds</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 10,389	\$ 141	\$ 110	\$ 137,033	\$ 147,673
Total assets	<u>\$ 10,389</u>	<u>\$ 141</u>	<u>\$ 110</u>	<u>\$ 137,033</u>	<u>\$ 147,673</u>
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ 613	\$ 613
Due to other funds	-	-	-	900	900
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,513</u>	<u>1,513</u>
<b>NET ASSETS</b>					
Unrestricted net assets	<u>10,389</u>	<u>141</u>	<u>110</u>	<u>135,520</u>	<u>146,160</u>
Total net assets	<u>10,389</u>	<u>141</u>	<u>110</u>	<u>135,520</u>	<u>146,160</u>
Total liabilities and net assets	<u>\$ 10,389</u>	<u>\$ 141</u>	<u>\$ 110</u>	<u>\$ 137,033</u>	<u>\$ 147,673</u>

**MESQUITE INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
 PRIVATE PURPOSE TRUST FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2009**

	<b>806 Meadows O'Donnell Foundation</b>	<b>807 Dairy Max Grant</b>	<b>808 TASB Risk Grant</b>	<b>810 Scholarship Fund</b>	<b>Total Private Purpose Trust Funds</b>
<b>ADDITIONS</b>					
Local and intermediate sources	\$ 4,500	\$ -	\$ 1,000	\$ 25,758	\$ 31,258
Total additions	<u>4,500</u>	<u>-</u>	<u>1,000</u>	<u>25,758</u>	<u>31,258</u>
<b>DEDUCTIONS</b>					
Supplies and materials	3,713	-	3,784	2,064	9,561
Other operating costs	<u>1,710</u>	<u>-</u>	<u>-</u>	<u>16,907</u>	<u>18,617</u>
Total deductions	<u>5,423</u>	<u>-</u>	<u>3,784</u>	<u>18,971</u>	<u>28,178</u>
Changes in net assets	(923)	-	(2,784)	6,787	3,080
Net assets September 1 (Beginning)	<u>11,312</u>	<u>141</u>	<u>2,894</u>	<u>128,733</u>	<u>143,080</u>
Net assets August 31 (Ending)	<u>\$ 10,389</u>	<u>\$ 141</u>	<u>\$ 110</u>	<u>\$ 135,520</u>	<u>\$ 146,160</u>

## **REQUIRED TEA SCHEDULES**

**MESQUITE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED AUGUST 31, 2009**

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Last Ten Years Ended August 31	Tax Rates			3 Net Assessed/Appraised Value For School Tax Purposes
	1 Maintenance	2 Debt Service		
2000 and prior years	various	various	\$	various
2001	1.2600	0.3200		4,632,791,682
2002	1.2800	0.3000		4,948,766,291
2003	1.3200	0.3000		5,525,759,030
2004	1.3700	0.3000		5,883,576,335
2005	1.4400	0.3200		6,033,355,295
2006	1.4500	0.3124		6,290,139,249
2007	1.3257	0.3423		6,581,607,326
2008	1.0067	0.3700		6,933,850,462
2009 (School year under audit)	1.0400	0.3600		6,947,938,555

**1000 TOTALS**

9000 - Portion of Row 1000 for Taxes Paid  
into Tax Increment Zone Under Chapter 311, Tax Code (Function 97)

**EXHIBIT H-1**

<b>10</b> Beginning Balance 09/01/08	<b>20</b> Current Year's Total Levy	<b>31</b> Maintenance Total Collections	<b>32</b> Debt Service Total Collections	<b>40</b> Entire Year's Adjustments	<b>50</b> Ending Balance 08/31/09
904,234 \$		\$ 5,064	\$ 3,132	\$ (5,784)	890,254
343,398		5,424	1,377	(1,137)	335,460
318,450		9,548	2,238	(898)	305,766
370,440		16,403	3,728	(995)	349,314
469,454		24,027	5,260	(650)	439,517
533,188		43,938	9,763	(1,870)	477,617
711,331		98,185	21,160	(11,666)	580,320
1,000,515		210,252	54,282	(57,594)	678,387
1,864,850		525,332	193,120	(338,982)	807,416
-	96,433,641	69,564,100	24,079,900	(1,017,041)	1,772,600
6,515,860 \$	96,433,641 \$	70,502,273 \$	24,373,960 \$	(1,436,617) \$	6,636,651
- \$	- \$	2,447,571 \$	847,236 \$	- \$	-

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

**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) Miscellaneous	7 Total
611X-6146	PAYROLL COSTS	\$ 56,703	\$ -	\$ 590,755	\$ 4,059,022	\$ 845,983	\$ -	\$ 5,552,463
6211	Legal Services	-	-	-	-	60,103	-	60,103
6212	Audit Services	-	-	-	105,000	-	-	105,000
6213	Tax Appraisal and Collection	-	285,953	-	-	-	-	285,953
621X	Other Prof. Services	5,200	-	100,237	117,513	110,438	-	333,388
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	-	-	65,526	-	65,526
6240	Contr. Maint. and Repair	-	-	-	-	92,546	-	92,546
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	105	99,317	23,158	-	122,580
6290	Miscellaneous Contr.	-	-	11,035	3,996	-	-	15,031
6310	Fuel	-	-	3,553	58,684	2,484	-	64,721
6320	Textbooks and Reading	-	-	912	4,924	259	-	6,095
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	-	-	115,212	425,237	10,966	-	551,415
6410	Travel, Subsistence, Stipends	26,004	-	37,672	46,125	2,282	-	112,083
6420	Ins. and Bonding Costs	-	-	2,716	-	180,596	-	183,312
6430	Election Costs	190	-	-	-	-	-	190
6490	Miscellaneous Operating	2,721	-	95,267	387,209	35,196	-	520,393
6600	Miscellaneous Other	-	-	-	-	-	47,593	47,593
6000	TOTAL	\$ 90,818	\$ 285,953	\$ 957,464	\$ 5,307,027	\$ 1,429,537	\$ 47,593	\$ 8,118,392

Total expenditures/expenses for General and Special Revenue Funds  
(plus Food Service Enterprise Fund if present) \$ 299,324,196

LESS: Deductions of Unallowable Costs

FISCAL YEAR		
Total Capital Outlay (6600)	10	7,990,882
Total Debt & Lease (6500)	11	-
Plant Maintenance (Function 51, 6100-6400)	12	29,929,322
Food (Function 35, 6341 and 6499)	13	9,297,331
Stipends (6413)	14	-
Column 4 (above) - Total Indirect Cost		5,307,027
Subtotal:		52,524,562
Net Allowed Direct Cost		246,799,634

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	15	521,940,658
Historical Cost of Buildings over 50 years old	16	-
Amount of Federal Money in building Cost (Net of #16)	17	-
Total Cost of Furniture & Equipment before Depreciation (1530&1540)	18	73,072,488
Historical Cost of Furniture & Equipment over 16 years old	19	1,635,081
Amount of Federal Money in Furniture & Equipment (Net of #19)	20	-

(8) Note A - \$1,362,530 in Function 53 expenditures are included in this report on administrative costs.

**MESQUITE INDEPENDENT SCHOOL DISTRICT  
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET  
 GENERAL FUND AS OF AUGUST 31, 2009**

**UNAUDITED**

1	Total General Fund Balance 8/31/09 (Exhibit C-1 object 3000 for the General Fund Only)	<u>\$ 63,199,986</u>
2	Total Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund only)	<u>\$ 2,219,667</u>
3	Total Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund only)	<u>\$ -</u>
4	Estimated amount needed to cover fall cash flow deficits in General Fund (net of borrowed funds and funds representing deferred revenues)	<u>\$ 28,141,207</u>
5	Estimate of <b>one</b> month's average cash disbursements during the regular school session (9/1/08-5/31/09)	<u>\$ 23,238,035</u>
6	Estimate of delayed payments from state sources (58XX) including August payment delays	<u>\$ 5,317,243</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>\$ 1,889,838</u>
8	Estimate of delayed payments from federal sources (59XX)	<u>\$ 42,836</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	Optimum Fund Balance and Cash Flow (2 + 3 + 4 + 5 + 6 + 7 + 8 + 9)	<u>\$ 60,848,826</u>
11	Excess/(Deficit) Undesignated Unreserved General Fund Fund Balance (1 -10)	<u>\$ 2,351,160</u>

**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 plans to use the excess to cover rising costs from the health insurance fund by making additional District contributions to the plan.

**MESQUITE INDEPENDENT SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
CHILD NUTRITION PROGRAM  
FOR THE YEAR ENDED AUGUST 31, 2009**

Data Control Codes		Budgeted Amounts		Actual	Variance With
		Original	Final	Amounts GAAP BASIS	Final Budget Under or (Over)
<b>REVENUES</b>					
5700	Local and intermediate sources	\$ 6,513,500	\$ 5,952,130	\$ 6,223,509	\$ 271,379
5800	State program revenues	180,300	198,480	248,100	49,620
5900	Federal program revenues	10,139,050	9,415,190	10,379,230	964,040
5020	Total revenues	<u>16,832,850</u>	<u>15,565,800</u>	<u>16,850,839</u>	<u>1,285,039</u>
<b>EXPENDITURES</b>					
CURRENT:					
0035	Food service	15,859,750	14,685,200	15,739,927	(1,054,727)
6030	Total expenditures	<u>15,859,750</u>	<u>14,685,200</u>	<u>15,739,927</u>	<u>(1,054,727)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
7961	Transfers out	(970,800)	(870,800)	(870,800)	-
7080	Total other financing sources (uses)	<u>(970,800)</u>	<u>(870,800)</u>	<u>(870,800)</u>	<u>-</u>
1200	Net change in fund balances	2,300	9,800	240,112	230,312
0100	Fund balances--beginning	4,908,131	4,908,131	4,908,131	-
3000	Fund balances--ending	<u>\$ 4,910,431</u>	<u>\$ 4,917,931</u>	<u>\$ 5,148,243</u>	<u>\$ 230,312</u>

**MESQUITE INDEPENDENT SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE YEAR ENDED AUGUST 31, 2009**

Data Control Codes	Budgeted Amounts		Actual Amounts GAAP BASIS	Variance With Final Budget Under or (Over)	
	Original	Final			
<b>REVENUES</b>					
5700	Local and intermediate sources	\$ 24,719,578	\$ 26,357,005	\$ 26,367,379	\$ 10,374
5800	State program revenues	18,370,211	24,335,214	24,335,214	-
5020	Total revenues	43,089,789	50,692,219	50,702,593	10,374
<b>EXPENDITURES</b>					
CURRENT:					
DEBT SERVICE:					
0071	Principal on long-term debt	23,735,000	27,356,220	26,894,414	461,806
0072	Interest on long-term debt	19,293,000	19,293,000	18,354,610	938,390
0073	Bond issuance costs and fees	372,000	372,000	837,051	(465,051)
6030	Total expenditures	43,400,000	47,021,220	46,086,075	935,145
1100	Excess (deficiency) of revenues over expenditures	(310,211)	3,670,999	4,616,518	945,519
<b>OTHER FINANCING SOURCES (USES) :</b>					
7901	Refunding bonds issued	-	-	13,090,000	(13,090,000)
7915	Transfers in	311,000	311,000	-	311,000
7916	Premium or discount on issuance of bonds	-	-	135,955	(135,955)
7949	Other resources	-	(311,000)	-	(311,000)
8940	Payment to bond refunding fund	-	-	(13,117,093)	13,117,093
7080	Total other financing sources (uses)	311,000	-	108,862	(108,862)
1200	Net change in fund balances	789	3,670,999	4,725,380	836,657
0100	Fund balances--beginning	8,921,469	8,921,469	8,921,469	-
3000	Fund balances--ending	\$ 8,922,258	\$ 12,592,468	\$ 13,646,849	\$ 836,657

**FEDERAL AWARDS SECTION**



INDEPENDENT AUDITOR'S 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  
MESQUITE INDEPENDENT SCHOOL DISTRICT  
Mesquite, Texas

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Mesquite Independent School District as of and for the year ended August 31, 2009, and have issued our report thereon dated January 6, 2010. 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 the 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 internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 a combination of control deficiencies, that adversely affect the 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 District's financial statements that is more than inconsequential will not be prevented or detected by the 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 misstatement of the financial statements will not be detected by the District's internal control.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Mesquite 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 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 or other matters that are required to be reported under *Government Auditing Standards*.

INDEPENDENT AUDITOR'S 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*

**MESQUITE INDEPENDENT SCHOOL DISTRICT**

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

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas  
January 6, 2010



INDEPENDENT AUDITOR'S 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  
**MESQUITE INDEPENDENT SCHOOL DISTRICT**  
Mesquite, Texas

### Compliance

We have audited the compliance of Mesquite 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, 2009. 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 Mesquite Independent School District's administrators. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Mesquite 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, 2009.

### Internal Control Over Compliance

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

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 a combination of control deficiencies, that adversely affect the entity's ability to administer a federal program such that there is 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.

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

**MESQUITE INDEPENDENT SCHOOL DISTRICT**

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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 the internal control over compliance 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 compliance that we consider to be material weaknesses.

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

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas  
January 6, 2010

MESQUITE INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED AUGUST 31, 2009

**I. Summary of the Auditor's Results:**

Financial Statements

- a. An unqualified opinion was issued on the financial statements.
- b. Internal control over financial reporting:
- Material weakness(es) identified? \_\_\_\_\_ Yes      X   No
  - Significant deficiency(ies) identified that are not considered a material weakness? \_\_\_\_\_ Yes      X   None reported
- c. Noncompliance material to financial statements noted \_\_\_\_\_ Yes      X   No

Major Programs

- d. Internal control over major programs:
- Material weakness(es) identified? \_\_\_\_\_ Yes      X   No
  - Significant deficiency(ies) identified that are not considered a material weakness. \_\_\_\_\_ Yes      X   No
- e. An unqualified opinion was issued on compliance for major programs.
- f. Any audit findings disclosed that were required to be reported under Section 510(a) or OMB Circular A-133. \_\_\_\_\_ Yes      X   No
- g. Identification of major programs:
- |         |  |
|---------|--|
| 84.010A | ESEA Title I Part a – Improving Basic Programs                   |
| 84.010A | ESEA Title I Part a – Improving Basic Programs – ARRA (Stimulus) |
| 84.027A | IDEA – Part B Cluster  |
| 84.027A | IDEA – Part B Cluster– ARRA (Stimulus)                           |
| 84.173A | IDEA – Part B Preschool Cluster                                  |
| 84.367A | ESEA Title II Part A   |
- h. The dollar threshold used to distinguish between Type A and Type B programs. \$832,598
- i. Auditee qualified as a low-risk auditee.   X   Yes    \_\_\_\_\_ No

MESQUITE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED AUGUST 31, 2009

**II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards*.**

None were noted in current year.

**III. Findings and Questioned Costs for Federal Awards Including Audit Findings as Described in I.f Above**

None were noted in current year.

MESQUITE INDEPENDENT SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED AUGUST 31, 2009

**FINDINGS FROM YEAR ENDED AUGUST 31, 2008**

**Finding 08-01**

**Criteria or Specific Requirement:**

During our audit of compensatory education it was noted that the District did not spend its allocation for Career and Technology.

**Status:**

The District did properly spend its allocation for Career and Technology for the year ended August 31, 2009.

**MESQUITE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2009**

**EXHIBIT I-1**

{1}	{2}	{3}	{4}
Federal/ State Grantor	CFDA Number	Pass-Through Grantor/ Program Title	Federal Expenditures
<b>U.S. Department of Defense</b>			
<u>Direct Program:</u>			
Selective Reserve Educational Assistance Program	12.609		\$ 495,633
 <b>U.S. Department of Education</b>			
<u>Passed Through State Department of Education:</u>			
Vocational Education-Basic Grant	84.048A	642000605791410	394,181
ESEA Title 1 Part A-Improving Basic Programs	84.010A	6610101057914	6,053,287
ESEA Title 1 Part A-Improving Basic Programs- ARRA (Stimulus)	84.010A	6610101057914	375,256
ESEA Title 1 Part C-Education of Migratory Children	84.011	6615001057950	12,245
IDEA -Part B, Formula	84.027A	666000105791466	6,585,148
IDEA -Part B, Deaf	84.027A	66600010579146601	63,622
IDEA -Part B, Discretionary (Deaf)	84.027A	66600020579146673	119,598
IDEA -Part B, Formula - ARRA (Stimulus)	84.027A	666000105791466	1,488,644
Total CFDA Number 84.027			<u>8,257,012</u>
IDEA -Part B, Preschool Deaf	84.173A	66610010579146611	12,168
IDEA -Part B, Preschool	84.173A	66610010579146610	119,178
Total CFDA Number 84.173			<u>131,346</u>
IDEA -Part C, Early Intervention Deaf	84.181A	63911010579143911	3,043
ESEA Title IV -Safe and Drug-Free Schools	84.186A	6691001057950	101,110
ESEA Title II, Part A	84.367A	6694501057950	969,364
Enhancing Education Through Technology	84.318X	6630001057914	52,557
Title III - Part A - English Language Acquisitions and Enhancement	84.365	6671001057950	517,958
Grants for State Assessments and Related Activities	84.369A		11,030
Total Passed Through State Department of Education			<u>16,878,389</u>
 <b>U.S. Department of Agriculture</b>			
<u>Passed Through State Department of Education:</u>			
National School Lunch Program - Cash	10.555		7,879,523
National School Lunch Program - Commodities	10.555		909,545
School Breakfast Program	10.553		1,590,162
Total Passed Through State Department of Education			<u>10,379,230</u>
Total Federal Assistance			<u>\$ 27,753,252</u>

**MESQUITE INDEPENDENT SCHOOL DISTRICT  
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS  
YEAR ENDED AUGUST 31, 2009**

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Note 1. For all Federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.

Note 2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund which is a Governmental Fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund types and Agency Funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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

Note 3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement - Provisional 6/97.

Note 4. Medicaid reimbursements of \$100,802 and School Health and Related Services-NHIC reimbursements of \$88,142, both of which are recorded as federal revenue in the general fund, are not considered federal awards for purpose of this schedule.