
MIDLAND INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

for year ended

August 31, 2013



615 WEST MISSOURI
MIDLAND, TEXAS 79701-5017

Educating the Future!

MIDLAND INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2013

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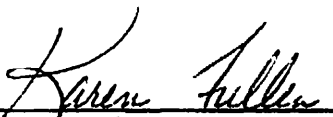
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CERTIFICATE OF BOARD

Midland Independent School District
Midland County

Co.-Dist. Number - 165901

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, 2013 at a meeting of the Board of Trustees of such school district on the 13th day of January, 2014.



Signature of Board Secretary



Signature of Board President

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Midland Independent School District
Midland, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Midland Independent School District, (the District), as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7 through 12 and 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements and other TEA required schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, other TEA required schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, other TEA required schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Midland, Texas
January 13, 2014

Midland Independent School District

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Midland Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2013. Please read it in conjunction with the District's Basic Financial Statements, which follows this section.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (pages 15 through 17). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 18) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how services of the District were sold to departments within the District and how the sales revenues covered the expenses of the services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

The notes to the financial statements (starting on page 31) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

In addition to the financial statements and accompanying notes, this report also presents certain required supplemental information that further explains and supports the information in the financial statements. The required supplemental information can be found immediately on the schedules following the notes to the financial statements.

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

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies. Their primary purpose is to show whether the District is better off or worse off as a result of the year's activities.

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

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

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

- **Governmental activities** - All of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.
- **Component Unit** - The District includes the Midland I.S.D. Education Foundation in its report. Although legally separate, the component unit is important because the District is financially accountable for it.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the District's most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities), as well as for reporting purposes. The District's two fund types, governmental and proprietary, use different accounting approaches.

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

- **Proprietary funds**—The District reports the activities for which it charges users (other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities, full accrual. The internal service fund reports activities that provide services for the District's self-insurance program.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As required by GASB 34, the following tables present a comparative summary of the government wide financial statements. We present net position measurements as required by generally accepted accounting principles and have comparative balances and changes therein between both current and prior year data and will discuss any significant changes in the accounts. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental and business-type activities.

Net Position of the District's governmental activities increased from \$116,190,928 to \$142,238,558. Unrestricted Net Position is the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. Unrestricted Net Position was \$52,138,590. This increase in total governmental net position was mostly the result of increased capital assets, net of related debt and increased funding due to student growth.

Table I
Midland Independent School District

NET POSITION			
	Governmental Activities 2011-2012	Governmental Activities 2012-2013	Difference
Assets:			
Current and Other Assets	\$ 84,109,379	\$ 161,079,700	\$ 76,970,321
Capital Assets	175,707,957	184,695,554	8,987,597
Total Assets	<u>259,817,336</u>	<u>345,775,254</u>	<u>85,957,918</u>
Liabilities:			
Long-term Liabilities	120,495,539	183,224,876	62,729,337
Other Liabilities	23,130,869	20,311,820	(2,819,049)
Total Liabilities	<u>143,626,408</u>	<u>203,536,696</u>	<u>59,910,288</u>
Net Position:			
Invested in Capital Assets Net of Debt	64,433,050	78,739,422	14,306,372
Restricted	9,879,020	11,360,546	1,481,526
Unrestricted	41,878,858	52,138,590	10,259,732
Total Net Position	<u>\$ 116,190,928</u>	<u>\$ 142,238,558</u>	<u>\$ 26,047,630</u>

Table II
Midland Independent School District

CHANGE IN NET POSITION

	Governmental Activities 2011-2012	Governmental Activities 2012-2013	Difference
Program Revenues:			
Charges for Services	\$ 3,551,527	\$ 3,810,196	\$ 258,669
Grants and Contributions	15,729,723	14,743,033	(986,690)
General Revenues:			
Maintenance and Operations Taxes	119,524,529	152,252,474	32,727,945
Debt Service Taxes	11,598,837	14,639,992	3,041,155
State Aid	33,536,636	26,729,913	(6,806,723)
Other Grants Not Restricted to Specific Functions	4,373,457	8,706,808	4,333,351
Investment Earnings	136,431	143,203	6,772
Miscellaneous	(1,279,974)	1,500,470	2,780,444
Total Revenues	187,171,166	222,526,089	35,354,923
Expenses:			
Instruction, Curriculum and Media Services	108,314,523	117,901,659	9,587,136
Instructional and School Leadership	11,563,995	13,156,757	1,592,762
Student Support Services	15,046,806	16,027,140	980,334
Child Nutrition Services	10,194,548	10,719,799	525,251
Cocurricular Activities	4,712,517	4,831,156	118,639
General Administration	4,980,357	5,550,889	570,532
Auxiliary Services	22,506,176	22,451,436	(54,740)
Community Services	922,255	918,700	(3,555)
Debt Service	5,041,286	4,847,808	(193,478)
Shared Service Agreements	117,258	73,115	(44,143)
Total Expenditures	183,399,721	196,478,459	13,078,738
Increase in Net Position	3,771,445	26,047,630	22,276,185
Beginning Net Position	112,419,483	116,190,928	3,771,445
Ending Net Position	\$ 116,190,928	\$ 142,238,558	\$ 26,047,630

The District's total revenues increased approximately \$35.5 million. This increase was primarily due to an increase in local property tax collections. The total cost of all programs and services increased by \$13 million, mostly because of an increase in instructional related staff and expenditures. Please note that the total cost of capital assets must be de-expended from the fund financial statements and depreciated on the government wide financials, using the full accrual method of accounting. Please refer to reconciliations on C-2 and C-4. This adjustment results in periodic fluctuations in total operating costs depending on capital assets procured during a given fiscal year.

THE DISTRICT'S FUNDS

As the District completed the year, the fund financial statements reported a combined fund balance of \$132.8 million, up \$78.9 million from 2012 (See Exhibit C-3). The increase is primarily due to the issuance of Unlimited Tax School Building and Refunding Bonds, Series 2013. Other significant revenues were generated through increased property values and student growth. General fund balance increased \$21.3 million.

Over the course of the year, the Board of Trustees revised the District's budget several times. The Trustees approve these budget amendments as necessary to meet current needs and goals of the District.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets:

At the end of 2013, the District had \$184.6 million (Note D), net of accumulated depreciation, invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents an increase of \$8.9 million, net of accumulated depreciation, from last year.

Debt:

At year-end, the District had \$179.8 million in bonds and notes outstanding versus \$116.9 million last year (Note E). The district paid off \$3.8 million in principal of outstanding debt, refunded \$10.9 million and issued \$78.4 million. The refunding resulted in a net present value savings of \$1.9 million.

Other obligations include accrued vacation pay and sick leave. More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting tax rates. Such factors are assessed property values, anticipated average daily student attendance and anticipated operating costs to the District. A few considerations are as follows:

- As expected, revenues earned exceeded Midland ISD's "target revenue", which was a hold harmless provision established by the state in 2006. The District was guaranteed a minimum amount of funding. The District transitioned to 'formula' funding in 2012-2013 through Senate Bill 1 of the 82nd Legislative Session. The 'formula' method of school funding is driven by several major criteria, such as student attendance, tax effort and Austin ISD's property wealth per student. Higher taxable values or being 'property rich' will lead to recapture by the state of Texas in the 2013-2014 school year of approximately \$12 million. Recapture means that the state would reduce a portion of local tax revenues collected to equalize the district's wealth level. The method is often referred to as Robin Hood. The amount recaptured would then be redistributed to benefit a 'property poor' school district.
- The District anticipates the need to maintain a strong General Fund Balance to ensure obligations can be met during the first of the school year until local tax collections can be made. Typically, the school year will start in late August and the majority of tax collections are made the following January and February. With the continued reduction of state revenue, the District will rely more heavily on fund balance and need to maintain a minimum of 25% worth of annual expenditures.
- Per the U.S. Department of Labor, the City of Midland had an unemployment rate of 3.2%, down from 3.8% in the prior year. The state average was 6.3%. The U.S average was 7.3%.
- The Cost of Living Index for Midland was 94% of the national average. The Cost of Living Index is used to provide a useful and reasonably accurate measure of living cost differences among urban areas, where the national average always equals 100%.
- Total Average Daily Attendance was 21,282, an increase of 501 students from the 2012-2013 school year. Several new apartment complexes and housing projects are expected to draw more families and students to the Midland area. Management anticipates continued student growth though the 2013-2014 school year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office at Midland Independent School District, 615 West Missouri, Midland, Texas 79701.

BASIC FINANCIAL STATEMENTS

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MIDLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2013

Data Control Codes	1 Primary Government	4 Component Unit
	Governmental Activities	Component Unit
ASSETS		
1110 Cash and Cash Equivalents	\$ 9,818,260	\$ 323,009
1120 Current Investments	140,157,649	273,260
1220 Property Taxes Receivable (Delinquent)	3,204,628	-
1230 Allowance for Uncollectible Taxes	(352,509)	-
1240 Due from Other Governments	4,261,474	-
1290 Other Receivables, net	907,773	-
1300 Inventories	1,412,417	-
1410 Prepayments	249,479	-
1420 Capitalized Bond and Other Debt Issuance Costs	1,420,529	-
Capital Assets:		
1510 Land	5,280,997	-
1520 Buildings, Net	159,530,854	-
1530 Furniture and Equipment, Net	5,870,394	-
1580 Construction in Progress	14,013,309	-
1000 Total Assets	<u>345,775,254</u>	<u>596,269</u>
LIABILITIES		
2110 Accounts Payable	6,297,533	-
2150 Payroll Deductions & Withholdings	1,726,078	-
2160 Accrued Wages Payable	4,818,458	-
2177 Due to Fiduciary Funds	8,721	-
2300 Unearned Revenue	2,127,473	-
2400 Payable from Restricted Assets	5,333,557	-
Noncurrent Liabilities		
2501 Due Within One Year	10,702,363	-
2502 Due in More Than One Year	172,522,513	-
2000 Total Liabilities	<u>203,536,696</u>	<u>-</u>
NET POSITION		
3200 Net Investment in Capital Assets	78,739,422	-
Restricted for:		
3840 Restricted for Food Service	4,058,412	-
3850 Restricted for Debt Service	6,741,455	-
3890 Restricted for Other Purposes	560,679	-
3900 Unrestricted	52,138,590	596,269
3000 Total Net Position	<u>\$ 142,238,558</u>	<u>\$ 596,269</u>

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

MIDLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	1	Program Revenues		
		3	4	5
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 110,739,155	\$ 306,408	\$ 9,962,132	\$ 197,100
12 Instructional Resources and Media Services	2,540,634	-	59,710	-
13 Curriculum and Staff Development	4,621,870	-	1,506,777	-
21 Instructional Leadership	2,814,152	-	473,453	-
23 School Leadership	10,342,605	-	64,949	-
31 Guidance, Counseling and Evaluation Services	6,775,980	-	1,186,346	-
32 Social Work Services	186,295	-	-	-
33 Health Services	1,954,574	-	89,285	-
34 Student (Pupil) Transportation	7,110,291	-	199,600	-
35 Food Services	10,719,799	3,050,201	115,307	-
36 Extracurricular Activities	4,831,156	453,587	54,464	-
41 General Administration	5,550,889	-	952	-
51 Facilities Maintenance and Operations	18,075,281	-	33,595	177,609
52 Security and Monitoring Services	906,808	-	-	-
53 Data Processing Services	3,469,347	-	-	-
61 Community Services	918,700	-	621,754	-
72 Debt Service - Interest on Long Term Debt	4,843,008	-	-	-
73 Debt Service - Bond Issuance Cost and Fees	4,800	-	-	-
93 Payments related to Shared Services Arrangements	73,115	-	-	-
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 196,478,459</u>	<u>\$ 3,810,196</u>	<u>\$ 14,368,324</u>	<u>\$ 374,709</u>
Component Unit:				
1C Nonmajor Component Unit	<u>\$ 865,466</u>	<u>\$ -</u>	<u>\$ 978,389</u>	<u>\$ -</u>
[TC] TOTAL COMPONENT UNITS:	<u>\$ 865,466</u>	<u>\$ -</u>	<u>\$ 978,389</u>	<u>\$ -</u>

Data Control Codes	General Revenues:
	Taxes:
MT	Property Taxes, Levied for General Purposes
DT	Property Taxes, Levied for Debt Service
GC	Grants and Contributions not Restricted
IE	Investment Earnings
MI	Miscellaneous Local and Intermediate Revenue
SI	Special Item - Loss on Reclassification of Assets
FR	Net Diff in Unamortized Premiums-Refunded Debt
TR	Total General Revenues, Special Items, and Transfers
CN	Change in Net Position
NB	Net Position - Beginning
NE	Net Position--Ending

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

Net (Expense) Revenue and Changes in Net Position	
6	9
Primary Government Governmental Activities	Component Unit Component Unit
\$ (100,273,515)	\$ -
(2,480,924)	-
(3,115,093)	-
(2,340,699)	-
(10,277,656)	-
(5,589,634)	-
(186,295)	-
(1,865,289)	-
(6,910,691)	-
(7,554,291)	-
(4,323,105)	-
(5,549,937)	-
(17,864,077)	-
(906,808)	-
(3,469,347)	-
(296,946)	-
(4,843,008)	-
(4,800)	-
(73,115)	-
(177,925,230)	-
-	112,923
-	112,923
152,252,474	-
14,639,992	-
35,436,721	-
143,203	325
1,744,505	-
(170,397)	-
(73,638)	-
203,972,860	325
26,047,630	113,248
116,190,928	483,021
\$ 142,238,558	\$ 596,269

MIDLAND INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2013

Data Control Codes	10 General Fund	National School Brkfst/Lunch	50 Debt Service Fund
ASSETS			
1110 Cash and Cash Equivalents	\$ 4,449,452	\$ 2,467,053	\$ 7,353
1120 Investments - Current	60,216,331	3,156,453	6,702,735
1220 Property Taxes - Delinquent	2,921,019	-	283,609
1230 Allowance for Uncollectible Taxes (Credit)	(321,312)	-	(31,197)
1240 Receivables from Other Governments	1,409,285	985,427	-
1260 Due from Other Funds	7,930,397	-	-
1290 Other Receivables	907,773	-	-
1300 Inventories	311,200	1,101,217	-
1410 Prepayments	249,479	-	-
1000 Total Assets	<u>\$ 78,073,624</u>	<u>\$ 7,710,150</u>	<u>\$ 6,962,500</u>
LIABILITIES			
2110 Accounts Payable	\$ 2,606,682	\$ 335,830	\$ 500
2150 Payroll Deductions and Withholdings Payable	1,726,078	-	-
2160 Accrued Wages Payable	4,108,654	195,176	-
2170 Due to Other Funds	8,042,180	3,120,732	-
2300 Deferred Revenues	4,092,944	-	220,545
2000 Total Liabilities	<u>20,576,538</u>	<u>3,651,738</u>	<u>221,045</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	311,200	1,101,217	-
3430 Prepaid Items	249,479	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	2,957,195	-
3470 Capital Acquisition and Contractual Obligation	-	-	-
3480 Retirement of Long-Term Debt	-	-	6,741,455
3490 Other Restricted Fund Balance	-	-	-
Assigned Fund Balance:			
3590 Other Assigned Fund Balance	12,370,000	-	-
3600 Unassigned Fund Balance	44,566,407	-	-
3000 Total Fund Balances	<u>57,497,086</u>	<u>4,058,412</u>	<u>6,741,455</u>
4000 Total Liabilities and Fund Balances	<u>\$ 78,073,624</u>	<u>\$ 7,710,150</u>	<u>\$ 6,962,500</u>

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

60 Capital Projects	Other Funds	Total Governmental Funds
\$ -	\$ 2,696,575	\$ 9,620,433
61,939,791	-	132,015,310
-	-	3,204,628
-	-	(352,509)
-	1,866,762	4,261,474
-	7,024,244	14,954,641
-	-	907,773
-	-	1,412,417
-	-	249,479
<u>\$ 61,939,791</u>	<u>\$ 11,587,581</u>	<u>\$ 166,273,646</u>
\$ 2,141,137	\$ 1,203,859	\$ 6,288,008
-	-	1,726,078
-	514,628	4,818,458
3,935,725	853,146	15,951,783
-	305,494	4,618,983
<u>6,076,862</u>	<u>2,877,127</u>	<u>33,403,310</u>
-	-	1,412,417
-	-	249,479
-	851,009	3,808,204
55,862,929	7,767,236	63,630,165
-	-	6,741,455
-	92,209	92,209
-	-	12,370,000
-	-	44,566,407
<u>55,862,929</u>	<u>8,710,454</u>	<u>132,870,336</u>
<u>\$ 61,939,791</u>	<u>\$ 11,587,581</u>	<u>\$ 166,273,646</u>

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MIDLAND INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2013

Total Fund Balances - Governmental Funds	\$	132,870,336
 1 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 position. The net effect of this consolidation is to increase net position.		3,985,505
 2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$283,836,762 and the accumulated depreciation was \$108,128,805. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.		55,904,658
 3 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2013 capital outlays and debt principal payments is to decrease net position.		(45,536,252)
 4 The 2013 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(7,477,199)
 5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		2,491,510
 19 Net Position of Governmental Activities	\$	142,238,558

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

MIDLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	10 General Fund	National School Brkfst/Lunch	50 Debt Service Fund
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 154,490,402	\$ 3,057,901	\$ 14,613,132
5800 State Program Revenues	25,261,489	58,817	-
5900 Federal Program Revenues	2,554,524	7,678,152	-
5020 Total Revenues	<u>182,306,415</u>	<u>10,794,870</u>	<u>14,613,132</u>
EXPENDITURES:			
Current:			
0011 Instruction	96,353,536	-	-
0012 Instructional Resources and Media Services	2,321,755	-	-
0013 Curriculum and Instructional Staff Development	3,094,458	-	-
0021 Instructional Leadership	2,333,893	-	-
0023 School Leadership	10,085,073	-	-
0031 Guidance, Counseling and Evaluation Services	5,576,590	-	-
0032 Social Work Services	176,602	-	-
0033 Health Services	1,845,858	-	-
0034 Student (Pupil) Transportation	7,222,328	-	-
0035 Food Services	-	10,380,425	-
0036 Extracurricular Activities	4,035,684	-	-
0041 General Administration	5,525,822	-	-
0051 Facilities Maintenance and Operations	17,399,050	-	-
0052 Security and Monitoring Services	938,795	-	-
0053 Data Processing Services	3,480,322	-	-
0061 Community Services	295,825	-	-
Debt Service:			
0071 Principal on Long Term Debt	-	-	7,814,365
0072 Interest on Long Term Debt	-	-	4,843,008
0073 Bond Issuance Cost and Fees	-	-	4,800
Capital Outlay:			
0081 Facilities Acquisition and Construction	159,762	-	-
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	73,115	-	-
6030 Total Expenditures	<u>160,918,468</u>	<u>10,380,425</u>	<u>12,662,173</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>21,387,947</u>	<u>414,445</u>	<u>1,950,959</u>
OTHER FINANCING SOURCES (USES):			
7901 Refunding Bonds Issued	-	-	6,810,000
7911 Capital Related Debt Issued (Regular Bonds)	-	-	175,000
7912 Sale of Real and Personal Property	24,775	-	-
7915 Transfers In	-	-	-
8940 Payment to Bond Refunding Escrow Agent (Use)	-	-	(6,985,000)
8949 Other (Uses)	(29,244)	-	-
7080 Total Other Financing Sources (Uses)	<u>(4,469)</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balances	21,383,478	414,445	1,950,959
0100 Fund Balance - September 1 (Beginning)	<u>36,113,608</u>	<u>3,643,967</u>	<u>4,790,496</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 57,497,086</u>	<u>\$ 4,058,412</u>	<u>\$ 6,741,455</u>

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

60 Capital Projects	Other Funds	Total Governmental Funds
\$ 24,021	\$ 289,413	\$ 172,474,869
-	1,409,607	26,729,913
-	12,995,353	23,228,029
24,021	14,694,373	222,432,811
-	10,159,232	106,512,768
-	59,710	2,381,465
-	1,506,777	4,601,235
-	473,453	2,807,346
-	64,939	10,150,012
-	1,186,346	6,762,936
-	-	176,602
-	89,285	1,935,143
-	199,600	7,421,928
-	115,307	10,495,732
-	54,464	4,090,148
-	952	5,526,774
-	211,204	17,610,254
-	-	938,795
-	-	3,480,322
-	621,754	917,579
-	-	7,814,365
-	-	4,843,008
-	-	4,800
14,030,784	732,764	14,923,310
-	-	73,115
14,030,784	15,475,787	213,467,637
(14,006,763)	(781,414)	8,965,174
-	-	6,810,000
70,000,000	-	70,175,000
-	-	24,775
-	29,244	29,244
-	-	(6,985,000)
-	-	(29,244)
70,000,000	29,244	70,024,775
55,993,237	(752,170)	78,989,949
(130,308)	9,462,624	53,880,387
\$ 55,862,929	\$ 8,710,454	\$ 132,870,336

MIDLAND INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2013

Total Net Change in Fund Balances - Governmental Funds	\$	78,989,949
The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The net of internal service funds are reported with governmental activities. The net effect of this consolidation is to decrease net position.		(135,131)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2013 capital outlays and debt principal payments is to decrease net position.		(45,536,252)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(7,477,199)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		206,263
Change in Net Position of Governmental Activities	\$	26,047,630

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

MIDLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2013

Data Control Codes		Internal Service Fund
ASSETS		
Current Assets:		
1110	Cash and Cash Equivalents	\$ 197,827
1120	Investments - Current	8,142,339
1260	Due from Other Funds	<u>988,421</u>
1000	Total Assets	<u>9,328,587</u>
LIABILITIES		
Current Liabilities:		
2110	Accounts Payable	9,525
2400	Accrued Expenses	<u>5,333,557</u>
2000	Total Liabilities	<u>5,343,082</u>
NET POSITION		
3300	Unrestricted Net Position	<u>3,985,505</u>
3000	Total Net Position	<u>\$ 3,985,505</u>

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

MIDLAND INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes		Internal Service Fund
	OPERATING REVENUES	
5700	Local and Intermediate Sources	<u>\$ 16,059,468</u>
5020	Total Operating Revenues	<u>16,059,468</u>
	OPERATING EXPENSES:	
6100	Payroll Costs	157,648
6300	Contracted Services	69
6300	Supplies and Materials	13,015
6400	Other Operating Costs	<u>16,036,446</u>
	Total Operating Expenses	<u>16,207,178</u>
	Operating Loss	(147,710)
	NONOPERATING REVENUE (EXPENSES):	
7955	Earnings from Investments	<u>12,579</u>
	Change in Net Position	(135,131)
0100	Total Net Position - September 1 (Beginning)	<u>4,120,636</u>
3000	Total Net Position - August 31 (Ending)	<u><u>\$ 3,985,505</u></u>

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

MIDLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2013

	Internal Service Fund
Cash Flow from Operating Activities:	
Cash Receipts from Quasi-external Operating Activities with Other Funds	\$ 15,759,542
Cash Payments to Suppliers for Goods and Benefits	(16,982,757)
Net Cash Used For Operating Activities	(1,223,215)
Cash Flows from Investing Activities:	
Interest on Investments	12,579
Purchase of Investments	(138,793)
Net Cash Used for Investing Activities	(126,214)
Net Decrease in Cash and Cash Equivalents	(1,349,429)
Cash and Cash Equivalents at the Beginning of Year	1,547,256
Cash and Cash Equivalents at the End of the Year	\$ 197,827
Investments	8,142,339
Cash, Cash Equivalents, and Investments at the End of the Year	\$ 8,340,166
<u>Reconciliation of Operating Loss to Net Cash</u>	
<u>Used For Operating Activities:</u>	
Operating Loss	\$ (147,710)
Effect of Increases and Decreases in Current Assets and Liabilities	
Decrease in Receivables	512,811
Increase in Accounts Payable	5,755
Decrease in Due to Other Funds	(175,190)
Decrease in Payable from Restricted Assets	(1,418,881)
Net Cash Used For Operating Activities	\$ (1,223,215)

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

MIDLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2013

Data Control Codes		Private Purpose Trust Funds	Employee Benefits Trust Fund	Student Activity Fund
	ASSETS			
1110	Cash and Cash Equivalents	\$ 107,037	\$ 490,046	\$ 858,855
1120	Investments - Current	779,195	469,388	-
1260	Due From Other Funds	-	31,287	-
1290	Other Receivables	-	575,375	-
1000	Total Assets	<u>\$ 886,232</u>	<u>\$ 1,566,096</u>	<u>\$ 858,855</u>
	LIABILITIES			
2110	Accounts Payable	\$ -	\$ 959,433	\$ -
2170	Due to Other Funds	22,566	-	-
2400	Payable from Restricted Assets	863,666	606,663	-
2420	Due to Student Groups	-	-	846,238
2420	Due to Employees	-	-	12,617
2000	Total Liabilities	<u>\$ 886,232</u>	<u>\$ 1,566,096</u>	<u>\$ 858,855</u>
	NET POSITION			
	Unrestricted Net Position	\$ -		
3000	Total Net Position	<u>\$ -</u>		

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

MIDLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR YEAR ENDED AUGUST 31, 2013

Data Control Codes		Beginning Balance	Additions	Deletions	Ending Balance
PRIVATE PURPOSE TRUST FUNDS					
1110	Cash and Cash Equivalents	\$ 226,013	\$ 2,488	\$ 121,464	\$ 107,037
1120	Investments - Current	643,476	135,719	-	779,195
1000	Total Assets	<u>\$ 869,489</u>	<u>\$ 138,207</u>	<u>\$ 121,464</u>	<u>\$ 886,232</u>
2170	Due to Other Funds	\$ 22,566	\$ -	\$ -	\$ 22,566
2400	Payable from Restricted Assets	846,923	138,207	121,464	863,666
2000	Total Liabilities	<u>\$ 869,489</u>	<u>\$ 138,207</u>	<u>\$ 121,464</u>	<u>\$ 886,232</u>
EMPLOYEE BENEFITS TRUST FUND					
1110	Cash and Cash Equivalents	\$ 429,661	\$ 60,385	\$ -	\$ 490,046
1120	Investments - Current	468,898	490	-	469,388
1260	Due from Other Funds	31,287	-	-	31,287
1290	Other Receivables	495,684	79,691	-	575,375
1000	Total Assets	<u>\$ 1,425,530</u>	<u>\$ 140,566</u>	<u>\$ -</u>	<u>\$ 1,566,096</u>
2110	Accounts Payable	\$ 898,558	\$ 60,875	\$ -	\$ 959,433
2400	Payable from Restricted Assets	526,972	79,691	-	606,663
2000	Total Liabilities	<u>\$ 1,425,530</u>	<u>\$ 140,566</u>	<u>\$ -</u>	<u>\$ 1,566,096</u>
STUDENT ACTIVITY FUNDS					
1110	Cash and Cash Equivalents	\$ 754,324	\$ 1,418,694	\$ 1,314,163	\$ 858,855
1000	Total Assets	<u>\$ 754,324</u>	<u>\$ 1,418,694</u>	<u>\$ 1,314,163</u>	<u>\$ 858,855</u>
2110	Accounts Payable	\$ 19,058	\$ 15,113	\$ 21,554	\$ 12,617
2420	Due to Student Groups	735,266	1,403,581	1,292,609	846,238
2000	Total Liabilities	<u>\$ 754,324</u>	<u>\$ 1,418,694</u>	<u>\$ 1,314,163</u>	<u>\$ 858,855</u>

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

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MIDLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Midland Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards AU-C Section 700* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

A. REPORTING ENTITY

The Board of Trustees (the "Board") is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity." As amended by GASB 39, "Determining Whether Organizations are Component Units" and GASB 61, "The Financial Reporting Entity Omnibus," The Midland I.S.D. Education Foundation is a component unit of the District. The Foundation's purpose is to support teachers and students of the District in the advancement of their educational careers and to provide grants for great ideas to develop creative learning in the classroom. It is discretely presented in a separate column on the government-wide financial statements (Exhibits A-1 and B-1) in order to emphasize that it is legally separate from the District.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the District and its component units nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, state foundation funds, grants and other intergovernmental revenues.

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 reported as general revenues.

Interfund activities between governmental funds appear as due to/due froms on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position 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 Position. All interfund transactions between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Position as internal balances and on the Statement of

Activities as interfund transfers. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Activities.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the health insurance and worker's compensation insurance internal service funds are District contributions. Operating expenses include claims expense and administrative expenses for administering these insurance funds. All other revenues and expenses not meeting this definition are reported as nonoperating.

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

Measurement focus is the accounting convention which determines which assets and liabilities are included on the balance sheet of a fund type and whether a fund type's operating statement presents "financial flow" or capital maintenance information.

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurements made, regardless of the measurement focus applied.

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

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

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

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

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

The 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 expensed in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Position (Exhibit A-1). The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

D. FUND ACCOUNTING

The District reports the following major governmental funds:

1. **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. **National School Breakfast and Lunch Program Fund**- is used to account for federal reimbursement revenue from the United States Department of Agriculture as well as user fees (meal charges) for the National School Breakfast and Lunch Programs.
3. **The Debt Service Fund** - is used to account for the District's current portion of voter approved debt and the Foundation School Program's facilities allotment for bonded indebtedness.
4. **Capital Projects Fund** – is used to account for the proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions.

Additionally, the District reports the following nonmajor fund types:

Governmental Funds:

1. **Special Revenue Funds** – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in Special Revenue Funds. Most federal and some state financial assistance is accounted for in a Special Revenue Fund, and sometimes, unused balances must be returned to the grantor at the close of specified project periods.
2. **Permanent Funds** – Donations for which the donor has stipulated that the principal may not be expended and where the income may only be used for purposes that support the District's programs. The District has no Permanent Funds.

Proprietary Funds:

3. **Enterprise Funds** – Activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund. The District has no enterprise funds.
4. **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 Fund is for health, dental and workers compensation benefits.

Fiduciary Funds:

5. **Private Purpose Trust Funds** – 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 scholarship fund and the Texas School Alliance account.
6. **Employee Benefit Trust Funds** – These funds are used to account for local pension and other employee benefit funds that are provided by the District in lieu of or in addition to the Teacher Retirement System of Texas. The District's Employee Benefit Trust Funds are the matching annuity and section 125 funds.

7. **Investment Trust Fund** - This fund is one in which the District holds assets in trust for other entities participating in an investment program managed by the district. The District has no Investment Trust Funds.
8. **Agency Funds** – The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Fund is the student activity fund.

E. OTHER ACCOUNTING POLICIES

Cash and Cash Equivalents - For purposes of the statement of cash flows for proprietary and similar fund-types, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

Investments – Investments are recorded at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Inventory -The District reports inventories of supplies at weighted average cost including consumable maintenance, instructional, office, athletic, and transportation items. Supplies are recorded as expenditures when they are consumed. Inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and revenue when received. When requisitioned, inventory is decreased and expenditures are charged for an equal amount.

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

Current year tax collections are credited to the appropriate fund as per the tax rate ordinance approved by the Board of Trustees. For the fiscal year ended August 31, 2013, the rates were \$1.04005 for maintenance and \$.10 for debt service respectively, per \$100 of assessed value.

Delinquent Taxes Receivable - Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. Over the past four years, the property tax receivable allowance averages to 11 % of the outstanding property taxes at August 31, 2013.

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

In the fund financial statements, governmental fund types recognized 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.

Capital Assets - Capital assets including land, buildings, furniture and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as items with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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	40
Building Improvements	40
Buses	10
Other Vehicles	5
Office Equipment	5
Computer Equipment	5

Fund Balances and Net Position -

Government-Wide Financial Statements

Net position on the Statement of Net Position include the following:

Net investment in capital assets -- the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt net of premiums and discounts, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

Restricted for food service - the component of net position that reports the fund balance of the National School Breakfast/Lunch Program.

Restricted for debt service - the component of net position that reports the difference between assets and liabilities with constraints placed on their use by law.

Restricted for other purposes - component of net position that can be spent only for the specific purposes because of constraints imposed by the external providers, or imposed by constitutional provisions or enabling legislation.

Unrestricted -- the difference between the assets and liabilities that is not reported in any of the classifications above.

Governmental Fund Financial Statements

The District adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions* (GASB 54). The objective of the statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing government fund type definitions. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, under GASB 54 are non-spendable, restricted, committed, assigned, and unassigned. These classifications reflect not only the nature of

funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of constraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance.

In accordance with GASB 54, the District classifies governmental fund balances as follows:

Non-spendable -- includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid items and long term receivables.

Restricted -- includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts restricted due to constitutional provisions or enabling legislation. This classification includes the National School Breakfast/Lunch Program, retirement of long term debt, construction programs and other federal and state grants.

Committed -- includes fund balance amounts that are constrained for specific purposes that are internally imposed by the District through formal action in an open meeting of the highest level of decision making authority. Committed fund balance is reported pursuant to resolution passed by the District's Board of Trustees. This classification is comprised primarily of funds committed to construction.

Assigned -- includes fund balance amounts that are self-imposed by the District to be used for a particular purpose. Fund balance can be assigned by the District's Board, the Superintendent, or the Chief Financial Officer pursuant to the District's fund balance policy. At August 31, 2013 the District had assigned fund balance classifications. See note T on page 52 for further details.

Unassigned -- includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

When both restricted and unrestricted fund balances are available for use, it is the District's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

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

Accounting Estimates - In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenditures. Actual results could differ from those reported.

The amount of state foundation school revenue a school district earns for a year, can and does vary until the time when final PEIMS submissions have been factored into the formula. Availability can be as late as midway into the next fiscal year. It is at least reasonably possible that there could be a minimal change to foundation revenue as calculated at August 31, 2013.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

Capital Assets	Historical Costs	Accumulated Depreciation	Net Value at the Beginning of Year	Change in Net Position
Land	\$ 9,399,653	\$ -----	\$ 9,399,653	
Buildings & Improvements	244,610,405	(86,489,964)	158,120,441	
Furniture & Equipment	29,826,704	(21,638,841)	8,187,863	
Capitalized Bond and Other Debt Issuance Costs	692,240	-----	692,240	
Net Change in Assets				\$ 176,400,197
Long-term Liabilities at the Beginning of Year	Beginning Payables			
Bonds Payable (net of accretion and amortized premium)	(116,989,649)			
Other Payables	(3,505,890)			
Net Change in Assets				(120,495,539)
Total Adjustment to Net Position				\$ 55,904,658

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Exhibit C-4 provides reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net position balance and the change in net position. The details of this adjustment are as follows:

Capital Outlays & Long-Term Debt:	Amount
Additions - Land	\$ (571,488)
Additions - Buildings & Improvements	(931,044)
Additions - Construction in Progress	(14,013,309)
Additions - Furniture & Equipment	(1,119,352)
Loss on Disposal of Assets	170,397
Bond Issuance Cost	(795,507)
Compensated Absence - Reduction	(151,950)
Bond Principal Issue net of Payments	62,948,505
Total Adjustment to Net Position	\$ (45,536,252)

Another element of the reconciliation on Exhibit C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

Reclassifications:	Amount
Adjustments to Taxes - General Levy	\$ 187,226
Adjustments to Taxes - Debt Service Levy	19,037
Total Adjustments to Beginning Net Position	\$ 206,263

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

BUDGETARY DATA

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the National School Breakfast/Lunch Program. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 and the other two reports are in Exhibit J-4 and J-5.

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

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.

3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund 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.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

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

At August 31, 2013, the District's combined deposits were fully insured by federal depository insurance or collateralized with securities pledged to the District and held in the district's name by the district's agent. In addition, the following is disclosed regarding coverage of combined balances on the date of the highest deposit:

1. Name of bank: Wells Fargo Bank
2. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$25,800,409 and occurred on August 31, 2013.
3. Largest combined collected cash account balance required to be collateralized amounted to \$15,751,331 and occurred on August 31, 2013.
4. The total amount of FDIC coverage at the time of the largest combined balance was \$250,000 at August 31, 2013.

Legal and Contractual Provisions Governing Deposits and Investments

The Public Funds Investment Act (Governments Code Chapter 2256) contains specific provisions in the area 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 expenditures, (4) acceptable risk levels, (5) expected rate of return, (6) maximum allowable stated maturity, (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 authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds.

The Act also requires the District to have independent auditors perform testing 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.

Policies Governing Deposits and Investments

In compliance with the Public Fund Investment Act, the District has adopted a deposit and investment policy that allows investments with the following risks:

a. **Custodial Credit Risk – Deposits:** In the case of deposits, this is the risk that in the event of a bank failure, the government’s deposit may not be returned. The District’s policy regarding types of deposits allowed and collateral requirements is as follows. The depository bank is required by contract to collateralize all deposits as described by the Public Funds Investment Act with, (1) the market value of pledged securities, (2) a corporate surety bond or (3) FDIC Insurance. The District’s depository is required to collateralize deposits by a value equal to at least 110% of the ledger balance up to a maximum of fifteen million dollars. All deposits were fully collateralized for the 2012-2013 fiscal year.

b. **Custodial Credit Risk – Investments:** For an investment, this is the risk that in the event of the failure of the custodial institution, the District would not be able to recover the value of its investments or collateral securities that are in the possession of the custodian.

Investment in State Investment Pools

The District is a voluntary participant in various investment pools. These pools included the following: TexPool, Lone Star Investment Pool, Texas CLASS and Texas Term.

The State Comptroller of Public Accounts exercises responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both Participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool operates in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool Shares.

Lone Star Investment Pool is governed by an 11-member board and is a AAA rated investment program tailored to the investment needs of local governments within the state of Texas. Lone Star Investment Pool assists governments across Texas make the most of taxpayer dollars. Local officials can improve the return on their invested balances by pooling their money with other entities to achieve economies of scale in a conservative fund in full compliance with the Texas Public Funds Investment Act.

Texas CLASS is a local government investment pool emphasizing safety, liquidity, convenience and competitive yield. Since 1996, Texas CLASS has provided Texas public entities a safe and competitive investment alternative. Texas CLASS invests only in securities allowed by the Texas Public Funds Investment Act. Texas CLASS carries a letter of credit that ensures the integrity of the fund, making it the only investment pool in Texas backed by a letter of credit. The pool is governed by a board of trustees, elected annually by its participants. Texas CLASS is rated 'AAAm' by Standard and Poor's Ratings Services. The 'AAAm' principal stability fund rating is the highest assigned to principal stability government investment pools and is a direct reflection of Texas CLASS's outstanding credit quality and management.

The TexasTERM Local Government Investment Pool was created by and for Texas local governments to provide investment programs tailored to the needs of Texas cities, counties, school districts and other public investors. TexasTERM portfolios seek to provide these investors with safety, flexibility and competitive yields. Shares are distributed by PFM Fund Distributors, Inc., member Financial Industry Regulatory Authority (FINRA) and Securities Investor Protection Corporation (SIPC). PFM Fund Distributors, Inc. is a wholly owned subsidiary of PFM Asset Management LLC. The District currently utilizes two distinct investment options:

- **TexasDAILY**, a money market portfolio with daily liquidity that is rated AAAM by Standard & Poor’s.
- **PFM Prime Series** invests in obligations of the United States Government and its agencies, high quality debt obligations of U.S. companies and obligations of financial institutions and is rated AAAM by Standard & Poor's.

The investments held at August 31, 2013 are as follows:

	Fair Value	Rating	WAM (1)	WAM (2)
Cash and Imprest Funds	\$ 11,597,207	Aa3 per Moody's	N/A	N/A
Texpool	10,560,618	AAAm per Standard and Poors	49 Days	71 Days
Texpool Prime	1,951,008	AAAm per Standard and Poors	48 Days	56 Days
Lone Star/First Public	8,168,112	AAAm per Standard and Poors	57 Days	97 Days
Texas Class	39,052,172	AAAm per Standard and Poors	40 Days	n/a
Texas Term- TexasDAILY	20,007,791	AAAm per Standard and Poors	56 Days	n/a
Texas Term - PFM Prime	<u>61,939,791</u>	AAAm per Standard and Poors	58 Days	n/a
	<u>\$ 153,276,699</u>			

WAM (Weighted Average Maturity)

(1) This weighted average maturity calculation uses the SEC Rule 2A-7 definition for stated maturity for any floating rate instrument held in the portfolio to determine the weighted average maturity for the pool. This rule specifies that a variable rate instrument to be paid in 397 calendar days or less shall be deemed to have a maturity equal to the period remaining until the next readjustment of the interest rate.

(2) This weighted average maturity calculation uses the final maturity of any floating rate instruments held in the portfolio to calculate the weighted average maturity for the pool.

Cash and investments as of August 31, 2013 are classified in the accompanying financial statements as follows:

Governmental funds	\$ 141,635,743
Proprietary funds	8,340,166
Fiduciary funds	2,704,521
Component Unit	<u>596,269</u>
	<u>\$ 153,276,699</u>

B. CONCENTRATION OF CREDIT RISK

The investment policy of the District does not require the investment portfolios to be diversified in terms of investment instruments, maturity scheduling, and financial institutions in order to reduce the risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturities, or specified issues.

C. INTERFUND RECEIVABLES AND PAYABLES

In the fund financial statements, interfund balances are the results of normal transactions between funds and will be liquidated in the subsequent fiscal year.

Interfund balances at August 31, 2013, resulting from payroll and accumulated fund charges, consisted of the following individual fund balances:

	General Fund	Special Revenue	Debt Service	Capital Projects	Internal Service	Trust & Agency	Total
Due From General Fund	\$ -	\$ 24,244	\$ -	\$7,000,000	\$ 986,649	\$ 31,287	\$ 8,042,180
Due From Special Revenue Funds	3,972,106	-	-	-	1,772	-	3,973,878
Due From Debt Service Funds	-	-	-	-	-	-	-
Due From Capital Projects Fund	3,935,725	-	-	-	-	-	3,935,725
Due From Enterprise Funds	-	-	-	-	-	-	-
Due From Internal Service Funds	-	-	-	-	-	-	-
Due From Trust & Agency Funds	22,566	-	-	-	-	-	22,566
Total Due From	\$ 7,930,397	\$ 24,244	\$ -	\$7,000,000	\$ 988,421	\$ 31,287	\$15,974,349
Due To General Fund	\$ -	\$3,972,106	\$ -	\$3,935,725	\$ -	\$ 22,566	\$ 7,930,397
Due To Special Revenue Funds	24,244	-	-	-	-	-	\$ 24,244
Due To Debt Service Fund	-	-	-	-	-	-	-
Due To Enterprise Funds	-	-	-	-	-	-	-
Due To Capital Projects Fund	7,000,000	-	-	-	-	-	\$ 7,000,000
Due To Internal Service Funds	986,649	1,772	-	-	-	-	\$ 988,421
Due To Trust & Agency Funds	31,287	-	-	-	-	-	31,287
Total Due To	\$ 8,042,180	\$3,973,878	\$ -	\$3,935,725	\$ -	\$ 22,566	\$15,974,349

Interfund transfers for the year ended August 31, 2013 consisted of \$29,244 being transferred from the General Fund to fund the Storytelling Project.

Transfers Out		Totals
General Fund		
Storytelling Fund	\$ 29,244	
Sub Total – General Fund		<u>29,244</u>
Total - Transfers Out		<u>\$ 29,244</u>
Transfers In		Totals
Special Revenue Funds		
Storytelling Fund	29,244	
Sub Total - Special Revenue Funds		<u>\$ 29,244</u>
Total - Transfers In		<u>\$ 29,244</u>

D. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended August 31, 2013, was as follows:

	Beginning Balance	Reclassification	Additions	Retirements	Ending Balance
Governmental Activities:					
Land	\$ 9,399,653	\$ (4,690,144)	\$ 571,488	\$ -----	\$ 5,280,997
Buildings and Improvements	244,610,405	7,605,824	931,044	(501,743)	252,645,530
Construction in Progress	-----	-----	14,013,309	-----	14,013,309
Furniture and Equipment	29,826,704	(2,915,680)	1,119,352	(1,561,871)	26,468,505
Totals at Historic Cost	283,836,762	-----	16,635,193	(2,063,614)	298,408,341
Less Accumulated Depreciation:		Reclassification	Current Depreciation	Retired Depreciation	
Buildings and Improvements	(86,489,964)	(1,142,689)	(5,813,369)	331,346	(93,114,676)
Furniture and Equipment	(21,638,841)	1,142,689	(1,663,830)	1,561,871	(20,598,111)
Total Accum. Depr.	(108,128,805)	-----	(7,477,199)	1,893,217	(113,712,787)
Governmental Activities Capital Assets, Net	\$175,707,957	\$ -----	\$ 9,157,994	\$ (170,397)	\$184,695,554

The reclassification is a result of management's decision to more accurately classify assets in the appropriate asset class. Land Improvements and certain Furniture and Fixtures which had previously been classified in those categories are better reflected as additions to Building and Improvements. It was not necessary to make changes to the estimated lives of the Land Improvements or Furniture and Fixtures as they were accurately being depreciated based on the appropriate useful life for those assets.

Depreciation expense was charged to governmental functions as follows:	Amount
Instruction	\$ (4,319,442)
Instructional Resources and Media Services	(157,313)
Curriculum and Instructional Staff Development	(18,828)
Instructional Leadership	(5,650)
School Leadership	(184,121)
Guidance, Counseling and Evaluation Services	(8,365)
Social Work Services	(9,523)
Health Services	(17,694)
Student (Pupil) Transportation	(683,324)
Food Services	(337,615)
Extracurricular Activities	(759,136)
General Administration	(21,756)
Plant Maintenance and Operations	(869,759)
Security and Monitoring Service	(46,893)
Data Processing Services	(37,780)
Total Adjustment to Net Position (See C-2 and C-4)	\$ (7,477,199)

E. BONDS PAYABLE

Bonded indebtedness of the District is reflected in the bond liability. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund.

Outstanding Bonded Debt as of August 31, 2013 is as follows:

<u>Issue</u>	<u>Description</u>	<u>Interest Rate</u>	<u>Matures</u>	<u>Debt Outstanding</u>
\$25,285,000	Series 2004 Unl Tax Sch Bldg Bds	5.0%	2015	\$ 1,111,365
\$ 13,655,000	Series 2006 Unl Tax Bldg Bds	4.0 – 4.5%	2020	9,450,000
\$ 37,035,000	Series 2007 Unl Tax Bldg Bds	4.375 – 4.75.0%	2032	34,545,000
\$ 1,340,000	Series 2009 Unl Tax Bldg Bds	1.30%	2020	864,999
\$ 26,500,000	Series 2011 Unl Tax Bldg Bds	1.75 – 5.0%	2028	25,080,003
\$ 22,835,000	Series 2012 Unl Tax Bldg Bds	3.0 – 5.0%	2028	22,834,999
\$ 70,175,000	Series 2013 Unl Tax Bldg Bds	3.0 – 5.0%	2028	70,175,000
	Total Bonded Debt			164,061,366
	Plus: Unamortized Premium on Refundings			15,809,570
	Total Bonded Debt Long Term			\$ 179,870,936

A summary of long term debt transactions as of August 31, 2013 is as follows:

	<u>Balance at</u> <u>9/1/2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at</u> <u>8/31/2013</u>	<u>Due Within</u> <u>One Year</u>
General Obligation Bonds	\$ 108,685,730	\$ 70,175,000	\$ (14,799,364)	\$ 164,061,366	\$ 9,370,151
Unamortized Issuance					
Costs/Discounts/Premiums	8,303,919	8,297,695	(792,044)	15,809,570	954,743
Total Bonds Payable	\$ 116,989,649	\$ 78,472,695	\$ (15,591,408)	\$ 179,870,936	\$ 10,324,894

Debt service requirements are as follows:

Year	Principal	Interest	Total
2014	\$10,324,894	\$8,328,465	\$18,653,359
2015	\$6,200,957	\$7,315,936	\$13,516,893
2016	\$6,479,008	\$6,827,854	\$13,306,862
2017	\$6,674,008	\$6,639,449	\$13,313,457
2018	\$6,884,008	\$6,427,013	\$13,311,021
2019-2023	\$38,026,299	\$27,926,635	\$65,952,934
2024-2028	\$44,466,839	\$19,258,875	\$63,725,714
2029-2033	\$41,072,923	\$8,715,100	49,788,023
2034-2038	\$19,742,000	\$2,355,125	22,097,125
Total	\$ 179,870,936	\$93,794,452	\$ 273,665,388

Bonded indebtedness of the District is reflected in the bond liability, and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. The School District’s legal debt service margin is \$.50 per \$100 assessed value, which calculates to approximately \$81,000,000.

On March 19, 2013 Midland Independent School District issued \$70,175,000 of Unlimited Tax School Building and Refunding Bonds, Series 2013, approved by voters on November 6, 2012, (1) for construction, improvements, renovations and to equip school buildings, (2) to retire a portion of the 2003 Series, Unlimited Tax School Building and Refunding Bonds, and (3) to pay costs associated with the issuance of the bonds. The 2013 Series had a net reoffering premium of \$7,608,462 and issuance costs of \$689,231. The district used \$4 million of I&S fund balance in addition to the refunding to retire the full remaining balance amount of the 2003 Series. The extinguishment of these bonds qualifies as an in-substance defeasance of debt; therefore the entire amount is removed from the bond liability. The purpose of the refunding was to lower the overall debt service requirements of the District. The refunding decreased outstanding principal by \$6,985,000 and resulted in an economic gain of approximately \$1,945,499.

On September 23, 2011 the Midland Independent School District issued \$26,500,000 in Unlimited Tax Refunding Bonds 2011 to retire \$920,000 of Variable Unlimited Tax School Building Bonds Series 1997, and \$26,650,000 Unlimited Tax School Building and Refunding Bonds Series 2003. The 1997 Refunded Bonds were redeemed on November 1, 2011 and the Series 2003 refunded Bonds will be redeemed on February 15, 2013. The refunding had a net reoffering premium of \$3,341,428 an issuance cost of \$322,724. The investment will be adequate to retire the full amount of refunded bonds, which had a total book value of \$27,570,000. The extinguishment of these bonds qualifies as an in-substance defeasance of debt; therefore the entire amount is removed from the bond liability. The purpose of the refunding was to lower the overall service requirements of the District. The refunding decreased outstanding principal or total debt by approximately \$1,070,000 and resulted in an economic gain net present value savings of \$2,477,402.

On May 8, 2012 the Midland Independent School District issued \$22, 835,000 in Unlimited Tax Refunding Bonds 2012 to retire \$24,665,000 of Unlimited Tax School Building Bonds Series 2004. The Series 2004 Bonds will be redeemed on February 15, 2014. The refunding had a net reoffering premium of \$4,058,798 and a transfer of \$414,670 from Prior Issue Debt Service Funds and an issuance cost of \$299,298. The investment will be adequate to retire the full amount of refunded bonds, which had a total book value of \$24,665,000. The extinguishment of these bonds qualifies as an in-substance defeasance of debt; therefore the entire amount is removed from the bond liability. The purpose of the refunding was to lower the overall service requirements of the District. The refunding decreased outstanding principal or total debt by approximately \$1,830,000 and resulted in an economic gain total net present value savings of \$3,042,296.

On May 1, 2009, the Midland Independent School District issued \$4,634,990 in unlimited tax refunding bonds to retire a portion of outstanding debt on that date (Series 1997A and Series 1998). The proceeds were also used to pay for issuance costs of \$106,277. The proceeds were deposited directly into an escrow trust account and invested in obligations of the United States Government with maturities that coincide with principal and interest due dates. The investment will be adequate to retire the full amount of refunded bonds, which had a total book value of \$4,635,000. The extinguishment of these bonds qualifies as an in-substance defeasance of debt; therefore the entire amount is removed from the bond liability. The purpose of the refunding was to lower the overall service requirements of the District. The refunding decreased total debt service by approximately \$222,200 and resulted in an economic gain of \$172,162.

On July 10, 2007, Midland Independent School District issued \$37,035,000 of unlimited tax school building bonds, approved by voters on May 12, 2007, to be used for the construction, acquisition and equipping of school buildings in the District (including rehabilitation, renovation, expansion and improvement thereof) and to pay \$165,000 in issuance costs. The bonds are payable from a continuing direct annual ad valorem tax levied by the District, without limits as to the rate or amount, on all taxable property within the District.

On June 20, 2006, the Midland Independent School District issued \$14,014,995 of bonds in order to retire a portion of the 1998 series bonded debt outstanding on that date. The proceeds of the bonds were also used to pay issuance costs and underwriter discounts of approximately \$92,000. The refunded bond proceeds were deposited into an escrow trust account and invested in direct obligations of the Government of the United States with maturities which coincide with the interest and principal due dates of the refunded bonds. The investment income will be adequate to retire future interest and principal payments of the refunded bonds, which had a book value of \$14,015,000 at the date of refunding. The extinguishment of these bonds qualifies as an in-substance defeasance of debt; therefore, the \$14,015,000 in refunded bonds has been removed from the bond liability. The purpose of the refunding was to lower the overall debt service requirements of the District. This refunding decreased total debt service by approximately \$320,000 and resulted in an economic gain of approximately \$22,000.

On July 20, 2004, the School District issued the remaining \$26,975,000 of bonds approved under the February, 2003 bond authorization. The bonds were issued for construction and renovation of secondary campuses. The proceeds were also used to fund issuance costs of \$359,244. The bonds are payable from a continuing direct annual ad valorem tax levied by the District.

On April 8, 2003, the School District issued \$55,419,986.30 of bonds in order to retire a portion of bonded debt outstanding on that date and to pay for the cost of renovating secondary schools within the District. The proceeds of the bonds were also used to pay issuance costs of \$248,000 and underwriters' discount of \$371,823. In February 2003, the District received authorization by passage of a bond referendum to issue \$67,087,500 to fund the secondary school projects. The \$40,000,000 in new bonds to fund the costs of renovations is the first issuance of this authorization. The refunded bond proceeds were invested in direct obligations of the Government of the United States with maturities, which will coincide with the interest and principal due dates of the refunded bonds. The investment income will be adequate to retire future interest and principal payments of the refunded bonds, which had a book value of \$16,115,000 at the date of refunding. The extinguishment of these bonds qualifies as an in-substance defeasance of debt; therefore, the \$16,115,000 in refunded bonds has been removed from the bond liability. This refunding resulted in an economic gain of approximately \$700,000.

Capital Appreciation Bonds with an original issue amount of \$6,084,433 are included in the above maturities. These reflect the total amount of accreted interest to be paid on those bonds maturing in the respective years, and do not include interest accruing but not paid in years prior to maturity. The accreted value of the capital appreciation bonds at August 31, 2002 is \$8,802,507. The value of the Capital Appreciation Bonds at maturity is \$10,225,000.

There are a number of limitations and restrictions contained in the general obligation bond indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions as of August 31, 2013.

In prior years, the District issued refunding bonds for the purpose of restructuring outstanding debt service requirements or decreasing the total debt service payments. These refunding issues defeased selected general obligation and maintenance bonds. The total principal outstanding of the insubstance defeased debt as of August 31, 2013 is \$-0-.

F. NEW ACCOUNTING PRONOUNCEMENTS

The GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities, which will be effective for periods beginning after December 15, 2012. The Statement reclassifies certain items that were previously reported as assets and liabilities, as deferred outflows or inflows of resources, and recognizes these items as outflows or inflows of resources. This statement applies to all state and local governmental entities. The District will evaluate the impact of the standard on its Financial Statements and will take the necessary steps to implement it.

G. ACCUMULATED UNPAID SICK LEAVE BENEFITS

The District has adopted a policy to reimburse, upon retirement of employees, who have a minimum of ten years experience with the District, accrued sick leave up to 30 days. Any sick leave in excess of the 30-day accumulation is budgeted and paid within the current period. At August 31, 2013, the District's liability for unused sick leave is \$3,353,940.

H. DEFINED BENEFIT PENSION PLAN

Plan Description. Midland Independent School District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 77001, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

Funding Policy. State law provides for fiscal years 2011, 2012, and 2013 a state contribution rate of 6.0% and a member contribution rate of 6.4%. In certain instances the reporting district (I.S.D., college, university, or state agency) is required to make all or a portion of the state's 6.0% 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 Midland Independent School District's employees for the years ended August 31, 2011, 2012 and 2013 were \$5,596,331, \$5,602,059 and \$5,522,382 respectively. Midland Independent School District paid additional state contributions for the years ended August 31, 2011, 2012, and 2013 in the amount of \$2,775,352, \$2,297,733 and \$2,904,708, respectively, on the portion of the employees' salaries that exceeded the statutory minimum.

The Medicare Prescription Drug, Improvement, and Modernization act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care receives retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended August 31, 2011, 2012 and 2013, the subsidy payments received by TRS-Care on behalf of the District were \$412,161, \$372,458 and \$363,863, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements.

I. HEALTH CARE COVERAGE

The District sponsors a modified self-insurance plan to provide health care benefits to staff members and their dependents. Transactions related to the plan are accounted for in the Health Insurance Fund (the "Fund"), an internal service fund of the District. Partial staff member contributions are required for personal coverage and total staff member contributions are required for coverage of dependents. The District obtained excess loss insurance, which limited annual claims paid from the Fund for the year ended August 31, 2013, to \$150,000 for any individual participant and an aggregate limit equal to \$1,000,000. Estimates of claims payable and of claims incurred, but not reported at August 31, 2013, are reflected as accounts and claims payable of the Fund. The plan is funded to discharge liabilities of the Fund as they become due. The District does not provide any post-retirement health benefits to its employees.

Changes in the balances of claims liabilities during the past year are as follows:

	Year Ended <u>August 31, 2012</u>	Year Ended <u>August 31, 2013</u>
Unpaid claims, beginning of the year	\$ 2,766,577	\$ 3,003,966
Incurred claims/changes in estimates (including IBNR'S)	16,047,736	14,578,042
Claim Payments	<u>(15,810,347)</u>	<u>(14,774,797)</u>
Unpaid claims, end of fiscal year	<u>\$ 3,003,966</u>	<u>\$ 2,807,211</u>

J. CHANGES IN NONCURRENT LIABILITIES

Long-term activity for the year ended August 31, 2013, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Bonds and Notes Payable	\$ 4,443,708	\$ 5,881,186	\$ -----	\$ 10,324,894
Compensated Absences	-----	377,469	-----	377,469
Total Noncurrent Liabilities Due Within One Year	\$ 4,443,708	\$ 6,258,655	\$ -----	\$ 10,702,363
	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Bonds and Notes Payable	\$ 112,545,941	\$ 72,591,509	\$ (15,591,408)	\$ 169,546,042
Compensated Absences	3,505,890	-----	(529,419)	2,976,471
Total Noncurrent Liabilities Due In More Than One Year	\$ 116,051,831	\$ 72,591,509	\$ (16,120,827)	\$ 172,522,513
	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Bonds and Notes Payable	\$ 116,989,649	\$ 78,472,695	\$ (15,591,408)	\$ 179,870,936
Compensated Absences	3,505,890	377,469	(529,419)	3,353,940
Total Noncurrent Liabilities	\$ 120,495,539	\$ 78,850,164	\$ (16,120,827)	\$ 183,224,876

K. OPERATING LEASES

The District leases copiers and other equipment under noncancelable 4 year operating leases. Total costs for such leases were \$378,900 for the year ended August 31, 2013. Effective September 1, 2013, the District entered into a new noncancelable 4-year operating lease. The future minimum lease payments for these leases are as follows:

Year Ending August 31,	
2014	\$ 312,101
2015	312,101
2016	312,101
2017	312,101
	<hr/>
Total	<u>\$ 1,248,404</u>

L. DEFERRED REVENUE

Deferred revenue at August 31, 2013 consisted of the following:

	General Fund	Special Revenue Funds	Debt Service Fund	Total
Net Tax Revenue	\$ 2,270,964	\$ -----	\$ 220,545	\$ 2,491,509
Gate Receipts	100,000	-----	-----	100,000
Reserve for Litigation	1,602,614	-----	-----	1,602,614
Activity Funds Receipts	112,043	-----	-----	112,043
Advanced Placement	-----	23,137	-----	23,137
Buddy Davidson Foundation	-----	26,522	-----	26,522
Education Foundation Grants	-----	255,835	-----	255,835
Miscellaneous	7,323	-----	-----	7,323
Total	\$ 4,092,944	\$ 305,494	\$ 220,545	\$ 4,618,983

M. RECEIVABLES 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, 2013, 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.

Description	Amount
General Fund	\$1,409,285
Food Service	985,427
Summer Feeding Program	17,820
Head Start	255,852
ESEA Title I, Part A – Improving Basic Program	466,345
ESEA Title I, Part C - Migrant	330
IDEA-Part B, Formula	421,314
IDEA-Part B, Preschool	298
Career and Technical - Basic Grant	27,224
ESEA Title II, Part A – Training & Recruiting	123,060
Title III, Part A - English Language Acquisition	3,854
Title I, School Improvement	32,433
State Textbook Fund	496,280
Student Success Initiative	21,952
Total	\$4,261,474

N. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total
Property Taxes	\$ 151,930,374	\$ -----	\$14,600,970	\$ -	\$166,531,344
Penalties, Interest and Other Tax-related Inc.	1,174,382				1,174,382
Investment Income	92,948	4,780	8,874	24,021	130,623
Food Sales	-----	2,977,662	-----	-	2,977,662
Co-Curricular/Extra-curricular Student Act.	453,373	-----	-----	-	453,373
Other	839,325	364,872	3,288	-	1,207,485
Total	\$ 154,490,402	\$3,347,314	\$14,613,132	\$ 24,021	\$172,474,869

O. CONTINGENT LIABILITIES

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

In the opinion of management, the District has materially complied with all requirements. However, since such programs are subject to future audit or review, the possibility of disallowed expenditures exists. In the event of such disallowance of claimed expenditures, the District does not expect the resulting liability to have a material adverse effect on its combined financial statements at August 31, 2013.

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not determinable presently, in the opinion of the District's counsel, the resolution of these matters will not have a material adverse effect on the financial statements of the District.

P. CONSTRUCTION COMMITMENTS

The District passed a \$163,110,000 bond authorization on November 6, 2012. The authorization included equipment, building renovations, new elementary construction and land purchases. The program has been in development and design through December 2013. Contracts for the renovations and new construction will begin to be bid in January and February of 2014. The only commitments for renovation or construction through August 2013 have been for the purchase of technology, HVAC equipment and roofing projects.

Q. MAINTENANCE OF EFFORT

For fully insured districts/entities/risk pools, enter the total amount paid by the district for employee health care premiums as reported to TEA per Note H:

a) Total District Premium paid for health care 2012-13	\$9,735,701
b) Subtract any non-medical expenditures Life Insurance	(27,620)
c) 2012-13 Maintenance of Effort	\$9,708,081

Self-insured Districts/Entities/Risk Pools: TEA will permit a self-insured district to include in (b) a deduction for any individual one-time high cost claims from the total cost. Claims must be documented and considered an extraordinary, catastrophic expense (i.e., not covered by stop loss).

R. EMPLOYEE DEFINED CONTRIBUTION PLAN

The District participates in a matching annuity plan for the benefit of its employees. The District matches the employees' contributions to the maximum of 3.0%. The percentage contributed by the District is determined annually by the Board of Trustees. Participants begin to vest in benefits after 3 years and become fully vested after 5 years. Participants are 100% vested in their personal contributions at all times. At August 31, 2013, 1,205 employees participated in the plan and the District contributed \$1,566,762.

S. WORKER'S COMPENSATION

GASB 10 requires that state and local governmental entities other than public entity risk pools are required to report an estimated loss from a claim as an expenditure/expense and as a liability if both of these conditions are met:

a) Information available before the financial statements are issued indicates that it is probable that an asset had been impaired or a liability had been incurred at the date of the financial statements. It is implicit in this condition that it must be probable that one or more future events will also occur, confirming the fact of the loss. b) The amount of the loss can be reasonably estimated.

Beginning in 1997, the District changed from a self-funded worker's compensation plan to an outside provider for their worker's compensation coverage. The District remains liable for claims incurred prior to August 31, 1997 under the self-funded plan. These run-off claims amount to approximately \$198,746 and are included in the total accrued liabilities. The District remained fully-insured until March of 2001, at which time the District established its current self-funded program. The District has since maintained a self-insured retention of \$200,000 per occurrence. The District currently purchases excess coverage to statutory limits from the Texas Association of School Boards. The District does not purchase aggregate excess insurance. Claims administration is provided by the Texas Association of School Boards.

At August 31, 2013, the accrued liabilities for worker's compensation self-insurance of \$2,526,346 includes estimated incurred but not reported claims.

The following year-by-year exposure details the number of annual claims:

Fiscal Year	Claims
2004	298
2005	291
2006	287
2007	290
2008	196
2009	118
2010	123
2011	114
2012	107
2013	134
10 Year Average	196

Year	Beginning of Fiscal Year Liability	Reduction in Actuarial Estimate of Claims Payout	Current Year claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year end
2012	\$ 3,861,029	-----	\$ 201,046	(\$ 313,603)	\$ 3,748,472
2013	\$ 3,748,472	(\$ 1,120,032)	\$ 494,050	(\$ 596,144)	\$ 2,526,346

The Texas Association of School Board administers the District workers compensation program. As part of that contract a certified actuary has reviewed the District's estimated liability for workers compensation. The result of that actuarial review allows the District to reduce the estimated liability that had been previously accrued.

T. ASSIGNED FUND BALANCE

The Superintendent, under the authority of Board Policy CE is assigning a portion of our fund balance for future expenditures. At the close of fiscal year 2013, we had many projects that were being considered, but no formal action was taken to designate fund balance for these appropriations. Board Policy CE (page 5 of 5) does provide the Superintendent the authority to tentatively earmark spendable fund balance for specific purposes.

The list of projects is as follows:	Amount
Northwest Property	\$ 600,000
East Property	1,200,000
Southwest Property	3,800,000
Modular Homes	1,800,000
Bus Purchases	1,500,000
Self Insurance	2,000,000
Facility Study 2014	600,000
Portable Classrooms	120,000
Classroom Furniture	750,000
Total	\$ 12,370,000

U. COMPONENT UNIT SUBSEQUENT EVENTS

Subsequent to its fiscal year end of December 31, 2012, the Midland I.S.D. Education Foundation received in excess of \$1,200,000 in grants and scholarships to be used for restricted purposes.

REQUIRED SUPPLEMENTARY INFORMATION

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MIDLAND INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 126,728,698	\$ 154,246,226	\$ 154,490,402	\$ 244,176
5800 State Program Revenues	24,748,820	25,816,118	25,261,489	(554,629)
5900 Federal Program Revenues	2,400,000	2,361,536	2,554,524	192,988
5020 Total Revenues	<u>153,877,518</u>	<u>182,423,880</u>	<u>182,306,415</u>	<u>(117,465)</u>
EXPENDITURES:				
Current:				
0011 Instruction	92,542,003	96,762,863	96,353,536	409,327
0012 Instructional Resources and Media Services	2,321,166	2,427,221	2,321,755	105,466
0013 Curriculum and Instructional Staff Development	2,847,880	5,361,352	3,094,458	2,266,894
0021 Instructional Leadership	2,292,058	2,474,609	2,333,893	140,716
0023 School Leadership	9,317,674	10,423,985	10,085,073	338,912
0031 Guidance, Counseling and Evaluation Services	4,673,129	5,841,889	5,576,590	265,299
0032 Social Work Services	160,460	220,460	176,602	43,858
0033 Health Services	1,888,674	1,980,476	1,845,858	134,618
0034 Student (Pupil) Transportation	7,291,911	8,487,878	7,222,328	1,265,550
0036 Extracurricular Activities	3,939,404	4,544,545	4,035,684	508,861
0041 General Administration	5,026,433	5,844,395	5,525,822	318,573
0051 Facilities Maintenance and Operations	16,771,657	18,771,356	17,399,050	1,372,306
0052 Security and Monitoring Services	1,003,596	1,209,696	938,795	270,901
0053 Data Processing Services	3,301,513	3,779,324	3,480,322	299,002
0061 Community Services	369,960	370,060	295,825	74,235
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	250,000	159,762	90,238
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of	130,000	180,000	73,115	106,885
6030 Total Expenditures	<u>153,877,518</u>	<u>168,930,109</u>	<u>160,918,468</u>	<u>8,011,641</u>
1100 Excess of Revenues Over Expenditures	<u>-</u>	<u>13,493,771</u>	<u>21,387,947</u>	<u>7,894,176</u>
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	-	-	24,775	24,775
8949 Other (Uses)	-	(5,000)	(29,244)	(24,244)
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>(5,000)</u>	<u>(4,469)</u>	<u>531</u>
1200 Net Change in Fund Balances	-	13,488,771	21,383,478	7,894,707
0100 Fund Balance - September 1 (Beginning)	<u>36,113,608</u>	<u>36,113,608</u>	<u>36,113,608</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 36,113,608</u>	<u>\$ 49,602,379</u>	<u>\$ 57,497,086</u>	<u>\$ 7,894,707</u>

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OTHER SUPPLEMENTARY INFORMATION

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COMBINING SCHEDULES

MIDLAND INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2013

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	224 IDEA - Part B Formula
ASSETS				
1110 Cash and Cash Equivalents	\$ 1,000	\$ -	\$ 65	\$ -
1240 Receivables from Other Governments	255,852	466,345	330	421,314
1260 Due from Other Funds	-	-	-	-
1000 Total Assets	<u>\$ 256,852</u>	<u>\$ 466,345</u>	<u>\$ 395</u>	<u>\$ 421,314</u>
LIABILITIES				
2110 Accounts Payable	\$ 71,353	\$ 45,656	\$ -	\$ 77,108
2160 Accrued Wages Payable	138,824	121,638	-	242,131
2170 Due to Other Funds	46,675	299,051	395	102,075
2300 Deferred Revenues	-	-	-	-
2000 Total Liabilities	<u>256,852</u>	<u>466,345</u>	<u>395</u>	<u>421,314</u>
FUND BALANCES				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	-	-
3490 Other Restricted Fund Balance	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 256,852</u>	<u>\$ 466,345</u>	<u>\$ 395</u>	<u>\$ 421,314</u>

225 IDEA - Part B Preschool	242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Summer School LEP	296 Title I, SIP	396 Advanced Placement Testing
\$ -	\$ 929,837	\$ 1,058	\$ 240,288	\$ 2,370	\$ 5,577	\$ -	\$ 29,349
298	17,820	27,224	123,060	3,854	-	32,433	-
-	-	-	-	-	-	-	-
<u>\$ 298</u>	<u>\$ 947,657</u>	<u>\$ 28,282</u>	<u>\$ 363,348</u>	<u>\$ 6,224</u>	<u>\$ 5,577</u>	<u>\$ 32,433</u>	<u>\$ 29,349</u>
\$ -	\$ 312	\$ 15,276	\$ 164,193	\$ 683	\$ -	\$ 3,000	\$ -
298	-	-	9,776	-	-	1,961	-
-	96,336	13,006	189,379	5,541	5,577	27,472	6,212
-	-	-	-	-	-	-	23,137
<u>298</u>	<u>96,648</u>	<u>28,282</u>	<u>363,348</u>	<u>6,224</u>	<u>5,577</u>	<u>32,433</u>	<u>29,349</u>
-	851,009	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>851,009</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 298</u>	<u>\$ 947,657</u>	<u>\$ 28,282</u>	<u>\$ 363,348</u>	<u>\$ 6,224</u>	<u>\$ 5,577</u>	<u>\$ 32,433</u>	<u>\$ 29,349</u>

MIDLAND INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2013

Data Control Codes	410 State Textbook Fund	414 Student Success Initiative	427 Read To Succeed	493 Buddy Davidson Grant
ASSETS				
1110 Cash and Cash Equivalents	\$ 153,757	\$ -	\$ 98	\$ 27,017
1240 Receivables from Other Governments	496,280	21,952	-	-
1260 Due from Other Funds	-	-	-	-
1000 Total Assets	<u>\$ 650,037</u>	<u>\$ 21,952</u>	<u>\$ 98</u>	<u>\$ 27,017</u>
LIABILITIES				
2110 Accounts Payable	\$ 588,708	\$ 21,952	\$ -	\$ 495
2160 Accrued Wages Payable	-	-	-	-
2170 Due to Other Funds	61,329	-	98	-
2300 Deferred Revenues	-	-	-	26,522
2000 Total Liabilities	<u>650,037</u>	<u>21,952</u>	<u>98</u>	<u>27,017</u>
FUND BALANCES				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	-	-
3490 Other Restricted Fund Balance	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 650,037</u>	<u>\$ 21,952</u>	<u>\$ 98</u>	<u>\$ 27,017</u>

498 Education Foundation Grants	499 Other Local Special Revenue Funds	Total Nonmajor Special Revenue Funds	601 Map Project	602 Technology Project	Total Nonmajor Governmental Funds
\$ 301,307	\$ 67,965	\$ 1,759,688	\$ 36,887	\$ 900,000	\$ 2,696,575
-	-	1,866,762	-	-	1,866,762
-	24,244	24,244	4,000,000	3,000,000	7,024,244
<u>\$ 301,307</u>	<u>\$ 92,209</u>	<u>\$ 3,650,694</u>	<u>\$ 4,036,887</u>	<u>\$ 3,900,000</u>	<u>\$ 11,587,581</u>
\$ 45,472	\$ -	\$ 1,034,208	\$ 162,451	\$ 7,200	\$ 1,203,859
-	-	514,628	-	-	514,628
-	-	853,146	-	-	853,146
255,835	-	305,494	-	-	305,494
<u>301,307</u>	<u>-</u>	<u>2,707,476</u>	<u>162,451</u>	<u>7,200</u>	<u>2,877,127</u>
-	-	851,009	-	-	851,009
-	-	-	3,874,436	3,892,800	7,767,236
-	92,209	92,209	-	-	92,209
<u>-</u>	<u>92,209</u>	<u>943,218</u>	<u>3,874,436</u>	<u>3,892,800</u>	<u>8,710,454</u>
<u>\$ 301,307</u>	<u>\$ 92,209</u>	<u>\$ 3,650,694</u>	<u>\$ 4,036,887</u>	<u>\$ 3,900,000</u>	<u>\$ 11,587,581</u>

MIDLAND INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	224 IDEA - Part B Formula
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	<u>2,227,375</u>	<u>5,711,780</u>	<u>9,847</u>	<u>3,580,253</u>
5020 Total Revenues	<u>2,227,375</u>	<u>5,711,780</u>	<u>9,847</u>	<u>3,580,253</u>
EXPENDITURES:				
Current:				
0011 Instruction	1,340,538	4,597,463	6,480	2,024,659
0012 Instructional Resources and Media Services	277	59,410	-	-
0013 Curriculum and Instructional Staff Development	12,723	633,653	-	64,187
0021 Instructional Leadership	185,668	126,883	-	128,033
0023 School Leadership	21,586	18,121	394	842
0031 Guidance, Counseling and Evaluation Services	-	23,440	-	1,151,552
0033 Health Services	85,956	-	-	3,329
0034 Student (Pupil) Transportation	2,500	-	-	197,100
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	10,551
0041 General Administration	952	-	-	-
0051 Facilities Maintenance and Operations	211,204	-	-	-
0061 Community Services	365,971	252,810	2,973	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	<u>2,227,375</u>	<u>5,711,780</u>	<u>9,847</u>	<u>3,580,253</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

225 IDEA - Part B Preschool	242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang Acquisition	289 Summer School LEP	296 Title I, SIP	396 Advanced Placement Testing
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	4,695
<u>37,509</u>	<u>118,867</u>	<u>179,549</u>	<u>824,083</u>	<u>129,392</u>	<u>5,577</u>	<u>171,121</u>	<u>-</u>
<u>37,509</u>	<u>118,867</u>	<u>179,549</u>	<u>824,083</u>	<u>129,392</u>	<u>5,577</u>	<u>171,121</u>	<u>4,695</u>
37,509	-	159,217	124,927	110,011	5,577	145,764	862
-	-	-	-	-	-	-	-
-	-	4,502	654,780	11,023	-	23,499	3,833
-	-	2,273	26,718	3,878	-	-	-
-	-	-	17,658	4,480	-	1,858	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	115,307	-	-	-	-	-	-
-	-	13,557	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>37,509</u>	<u>115,307</u>	<u>179,549</u>	<u>824,083</u>	<u>129,392</u>	<u>5,577</u>	<u>171,121</u>	<u>4,695</u>
-	3,560	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	3,560	-	-	-	-	-	-
-	847,449	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 851,009</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

MIDLAND INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	410 State Textbook Fund	414 Student Success Initiative	427 Read To Succeed	493 Buddy Davidson Grant
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 6,438
5800 State Program Revenues	1,296,006	108,883	23	-
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	<u>1,296,006</u>	<u>108,883</u>	<u>23</u>	<u>6,438</u>
EXPENDITURES:				
Current:				
0011 Instruction	1,296,006	108,883	-	-
0012 Instructional Resources and Media Services	-	-	23	-
0013 Curriculum and Instructional Staff Development	-	-	-	-
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	6,438
0033 Health Services	-	-	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0061 Community Services	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	<u>1,296,006</u>	<u>108,883</u>	<u>23</u>	<u>6,438</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

498 Education Foundation Grants	499 Other Local Special Revenue Funds	Total Nonmajor Special Revenue Funds	601 Map Project	602 Technology Project	Total Nonmajor Governmental Funds
\$ 216,082	\$ 66,893	\$ 289,413	\$ -	\$ -	\$ 289,413
-	-	1,409,607	-	-	1,409,607
-	-	12,995,353	-	-	12,995,353
<u>216,082</u>	<u>66,893</u>	<u>14,694,373</u>	<u>-</u>	<u>-</u>	<u>14,694,373</u>
201,336	-	10,159,232	-	-	10,159,232
-	-	59,710	-	-	59,710
-	98,577	1,506,777	-	-	1,506,777
-	-	473,453	-	-	473,453
-	-	64,939	-	-	64,939
4,916	-	1,186,346	-	-	1,186,346
-	-	89,285	-	-	89,285
-	-	199,600	-	-	199,600
-	-	115,307	-	-	115,307
9,830	20,526	54,464	-	-	54,464
-	-	952	-	-	952
-	-	211,204	-	-	211,204
-	-	621,754	-	-	621,754
-	-	-	725,564	7,200	732,764
<u>216,082</u>	<u>119,103</u>	<u>14,743,023</u>	<u>725,564</u>	<u>7,200</u>	<u>15,475,787</u>
-	(52,210)	(48,650)	(725,564)	(7,200)	(781,414)
-	29,244	29,244	-	-	29,244
-	29,244	29,244	-	-	29,244
-	(22,966)	(19,406)	(725,564)	(7,200)	(752,170)
-	115,175	962,624	4,600,000	3,900,000	9,462,624
<u>\$ -</u>	<u>\$ 92,209</u>	<u>\$ 943,218</u>	<u>\$ 3,874,436</u>	<u>\$ 3,892,800</u>	<u>\$ 8,710,454</u>

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TEA SCHEDULES
FOR THE
STATE OF TEXAS

TEA SCHEDULE	TEA SCHEDULE	TEA SCHEDULE	TEA SCHEDULE
TEA SCHEDULE 1	TEA SCHEDULE 2	TEA SCHEDULE 3	TEA SCHEDULE 4
TEA SCHEDULE 5	TEA SCHEDULE 6	TEA SCHEDULE 7	TEA SCHEDULE 8
TEA SCHEDULE 9	TEA SCHEDULE 10	TEA SCHEDULE 11	TEA SCHEDULE 12
TEA SCHEDULE 13	TEA SCHEDULE 14	TEA SCHEDULE 15	TEA SCHEDULE 16
TEA SCHEDULE 17	TEA SCHEDULE 18	TEA SCHEDULE 19	TEA SCHEDULE 20
TEA SCHEDULE 21	TEA SCHEDULE 22	TEA SCHEDULE 23	TEA SCHEDULE 24
TEA SCHEDULE 25	TEA SCHEDULE 26	TEA SCHEDULE 27	TEA SCHEDULE 28
TEA SCHEDULE 29	TEA SCHEDULE 30	TEA SCHEDULE 31	TEA SCHEDULE 32
TEA SCHEDULE 33	TEA SCHEDULE 34	TEA SCHEDULE 35	TEA SCHEDULE 36
TEA SCHEDULE 37	TEA SCHEDULE 38	TEA SCHEDULE 39	TEA SCHEDULE 40
TEA SCHEDULE 41	TEA SCHEDULE 42	TEA SCHEDULE 43	TEA SCHEDULE 44
TEA SCHEDULE 45	TEA SCHEDULE 46	TEA SCHEDULE 47	TEA SCHEDULE 48
TEA SCHEDULE 49	TEA SCHEDULE 50	TEA SCHEDULE 51	TEA SCHEDULE 52
TEA SCHEDULE 53	TEA SCHEDULE 54	TEA SCHEDULE 55	TEA SCHEDULE 56
TEA SCHEDULE 57	TEA SCHEDULE 58	TEA SCHEDULE 59	TEA SCHEDULE 60
TEA SCHEDULE 61	TEA SCHEDULE 62	TEA SCHEDULE 63	TEA SCHEDULE 64
TEA SCHEDULE 65	TEA SCHEDULE 66	TEA SCHEDULE 67	TEA SCHEDULE 68
TEA SCHEDULE 69	TEA SCHEDULE 70	TEA SCHEDULE 71	TEA SCHEDULE 72
TEA SCHEDULE 73	TEA SCHEDULE 74	TEA SCHEDULE 75	TEA SCHEDULE 76
TEA SCHEDULE 77	TEA SCHEDULE 78	TEA SCHEDULE 79	TEA SCHEDULE 80
TEA SCHEDULE 81	TEA SCHEDULE 82	TEA SCHEDULE 83	TEA SCHEDULE 84
TEA SCHEDULE 85	TEA SCHEDULE 86	TEA SCHEDULE 87	TEA SCHEDULE 88
TEA SCHEDULE 89	TEA SCHEDULE 90	TEA SCHEDULE 91	TEA SCHEDULE 92
TEA SCHEDULE 93	TEA SCHEDULE 94	TEA SCHEDULE 95	TEA SCHEDULE 96
TEA SCHEDULE 97	TEA SCHEDULE 98	TEA SCHEDULE 99	TEA SCHEDULE 100

REQUIRED TEA SCHEDULES

MIDLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2013

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2004 and prior years	\$ 1.500000	\$ 0.126900	\$ 4,638,994,244
2005	1.500000	0.142750	5,006,891,801
2006	1.500000	0.127500	5,564,852,028
2007	1.330000	0.127500	6,804,612,913
2008	1.000050	0.168000	8,011,274,681
2009	1.040050	0.125000	9,622,129,854
2010	1.040050	0.112500	10,221,439,879
2011	1.040050	0.105000	10,879,019,756
2012	1.040050	0.101000	11,235,065,718
2013 (School year under audit)	1.040050	0.100000	14,782,675,318
1000 TOTALS			

(10) Beginning Balance 9/1/2012	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2013
\$ 353,331	\$ -	\$ 23,235	\$ 1,626	\$ (72,553)	\$ 255,917
106,944	-	5,894	498	-	100,552
89,095	-	8,981	854	(2,198)	77,062
107,133	-	22,653	1,924	(2,445)	80,111
118,628	-	29,968	2,874	3,710	89,496
197,090	-	87,907	14,764	21,814	116,233
285,452	-	136,893	16,454	28,914	161,019
460,653	-	263,333	28,481	23,416	192,255
1,503,889	-	953,357	96,249	1,104	455,387
-	164,582,375	149,209,163	14,343,575	646,959	1,676,596
<u>\$ 3,222,215</u>	<u>\$ 164,582,375</u>	<u>\$ 150,741,384</u>	<u>\$ 14,507,299</u>	<u>\$ 648,721</u>	<u>\$ 3,204,628</u>

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MIDLAND INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2014-2015
 GENERAL AND SPECIAL REVENUE FUNDS
 AUGUST 31, 2013

FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION, 99 - APPRAISAL DISTRICT COST

Account Number	Account Name	1	2	3	4	5	6	7
		(702) School Board	(703) Tax Collections	(701) Supt's Office	(750) Indirect Cost	(720) Direct Cost	(other) Miscellaneous	Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 349,285	\$ 2,499,749	\$ -	\$ -	\$ 2,849,034
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	40,523	-	-	-	-	-	40,523
6212	Audit Services	-	-	-	85,036	-	-	85,036
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	1,660,384	-	-	-	-	1,660,384
6214	Lobbying	-	-	-	-	-	-	-
621X	Other Professional Services	-	-	8,313	157,883	-	-	166,196
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	271	422,867	-	-	423,138
6240	Contr. Maint. and Repair	-	-	-	-	15,967	-	15,967
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	-	-	-	-
6290	Miscellaneous Contr.	684	-	-	137,102	-	-	137,786
6320	Textbooks and Reading	-	-	-	-	-	-	-
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	4,249	-	24,519	172,570	-	-	201,338
6410	Travel, Subsistence, Stipends	14,545	-	32,260	62,161	-	-	108,966
6420	Ins. and Bonding Costs	-	-	-	115,253	-	-	115,253
6430	Election Costs	50,489	-	-	-	-	-	50,489
6490	Miscellaneous Operating	16,556	-	16,824	36,299	-	-	69,679
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	\$ 127,046	\$ 1,660,384	\$ 431,472	\$ 3,688,920	\$ 15,967	\$ -	\$ 5,923,789

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 186,041,916

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10) \$ 1,434,185
Total Debt & Lease(6500)	(11) -
Plant Maintenance (Function 51, 6100-6400)	(12) 17,262,658
Food (Function 35, 6341 and 6499)	(13) 4,567,276
Stipends (6413)	(14) -
Column 4 (above) - Total Indirect Cost	3,688,920

SubTotal:

26,953,039

Net Allowed Direct Cost

\$ 159,088,877

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15) \$ 246,676,298
Historical Cost of Building over 50 years old	(16) \$ 16,352,103
Amount of Federal Money in Building Cost (Net of #16)	(17) \$ 129,189
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18) \$ 28,388,039
Historical Cost of Furniture & Equipment over 16 years old	(19) \$ 4,049,119
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20) \$ 601,271

(8) NOTE A: \$397,967 in Function 53 expenditures are included in this report on administrative costs.

No Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

MIDLAND INDEPENDENT SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 BUDGET AND ACTUAL - NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 2,586,724	\$ 2,976,717	\$ 3,057,901	\$ 81,184
5800 State Program Revenues	60,000	58,817	58,817	-
5900 Federal Program Revenues	7,700,924	7,790,240	7,678,152	(112,088)
5020 Total Revenues	10,347,648	10,825,775	10,794,870	(30,905)
EXPENDITURES:				
0035 Food Services	10,347,648	10,947,648	10,380,425	567,223
6030 Total Expenditures	10,347,648	10,947,648	10,380,425	567,223
1200 Net Change in Fund Balances	-	(121,873)	414,445	536,318
0100 Fund Balance - September 1 (Beginning)	36,113,608	3,643,967	3,643,967	-
3000 Fund Balance - August 31 (Ending)	\$ 36,113,608	\$ 3,522,094	\$ 4,058,412	\$ 536,318

MIDLAND INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 14,089,798	\$ 14,550,664	\$ 14,613,132	\$ 62,468
5020 Total Revenues	14,089,798	14,550,664	14,613,132	62,468
EXPENDITURES:				
Debt Service:				
0071 Principal on Long Term Debt	14,089,798	9,241,990	7,814,365	1,427,625
0072 Interest on Long Term Debt	-	4,843,008	4,843,008	-
0073 Bond Issuance Cost and Fees	-	4,800	4,800	-
6030 Total Expenditures	14,089,798	14,089,798	12,662,173	1,427,625
1100 Excess of Revenues Over Expenditures	-	460,866	1,950,959	1,490,093
OTHER FINANCING SOURCES (USES):				
7901 Refunding Bonds Issued	-	-	6,810,000	6,810,000
7911 Capital Related Debt Issued (Regular Bonds)	-	-	175,000	175,000
8940 Payment to Bond Refunding Escrow Agent	-	-	(6,985,000)	(6,985,000)
7080 Total Other Financing Sources (Uses)	-	-	-	-
1200 Net Change in Fund Balances	-	460,866	1,950,959	1,490,093
0100 Fund Balance - September 1 (Beginning)	4,790,496	4,790,496	4,790,496	-
3000 Fund Balance - August 31 (Ending)	\$ 4,790,496	\$ 5,251,362	\$ 6,741,455	\$ 1,490,093

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FEDERAL AWARDS SECTION

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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

To the Board of Trustees Midland Independent School District
Midland, Texas

We have audited, in accordance with the 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, the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Midland Independent School District, (the District), as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 13, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Midland, Texas
January 13, 2014



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Trustees
Midland Independent School District
Midland, Texas

Report on Compliance for Each Major Federal Program

We have audited Midland Independent School District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2013.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2013.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL L.L.P.

Midland, Texas
January 13, 2014

**MIDLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2013**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness (es) identified? Yes X No
- Significant deficiency (es) identified that are not considered to be material weaknesses? Yes X No

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness (es) identified? Yes X No
- Significant deficiency (ies) identified that are not considered to be material weakness (es)? Yes X None Reported

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

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

Identification of Major Programs:
CFDA Number(s) Name of Federal Program or Cluster

84.010A Title 1, Part A
93.600 Head Start

Dollar threshold used to distinguish between type A and type B programs: \$701,167

Auditee qualified as low-risk auditee? X Yes No

**MIDLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2013**

II. FINANCIAL STATEMENT FINDINGS

None.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**MIDLAND INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED AUGUST 31, 2013**

II. FINANCIAL STATEMENT FINDINGS

None.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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MIDLAND INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2013

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	13610101165901	\$ 5,711,780
*ESEA, Title I, School Improvement	84.010A	13610104165901	171,121
Total CFDA Number 84.010A			5,882,901
Total Title I, Part A Cluster			5,882,901
ESEA, Title I, Part C - Migrant	84.011A	13615001165901	9,847
*IDEA - Part B, Formula	84.027A	13660001165901600	3,580,253
*IDEA - Part B, Preschool	84.173A	136610011659016000	37,509
Total Special Education Cluster (IDEA)			3,617,762
Carl D Perkins Basic Formula Grant	84.048A	13420006165901	179,549
Title III, Part A - LEP	84.365A	13671001165901	129,392
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	13694501165901	824,083
Summer School - LEP	84.369A	069551202	5,577
Total Passed Through State Department of Education			\$ 10,649,111
TOTAL DEPARTMENT OF EDUCATION			\$ 10,649,111
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through State Department of Education</u>			
Head Start	93.600	06CH6994/43	\$ 2,227,375
Total Passed Through State Department of Education			\$ 2,227,375
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 2,227,375
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*National School Lunch Program	10.555	71301301	\$ 10,380,425
*Summer Feeding Program	10.559	71301301	115,307
Total Child Nutrition Cluster			10,495,732
Total Passed Through the State Department of Agriculture			\$ 10,495,732
TOTAL DEPARTMENT OF AGRICULTURE			\$ 10,495,732
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 23,372,218

*Clustered Programs

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**MIDLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2013**

1. The District utilized the fund types specified in the 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. Generally, unused balances are returned to the grantor at the close of specified project periods.

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

The modified accrual basis of accounting is used for the Governmental 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.

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 Supplement – Provisional 6/97.

4. Relationship to Financial Statements

Federal financial assistance revenues are reported in the District’s financial statements as follows:

100-199	General Fund	\$ 2,554,524
200-499	Special Revenue Funds	<u>20,673,505</u>
		<u>23,228,029</u>
	Audit Period Expenditures From the Schedule of Expenditures of Federal Awards	<u>\$23,372,218</u>

Federal Revenues reported in Special Revenue Funds do not equal the total amount of expenditures as reported on the Schedule of Expenditures of Federal Awards since the National School Breakfast/Lunch Program (see C-3) and the Summer Feeding Program (see H-2) carry a fund balance. Therefore, revenues, less expenses do not zero out each year, as do most Federal Programs.

5. Relationship to Federal Financial Reports

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

STATE OF CALIFORNIA
COUNTY OF LOS ANGELES
SUPERIOR COURT

IN RE: THE ESTATE OF [Name], Deceased

Case No. [Number]

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