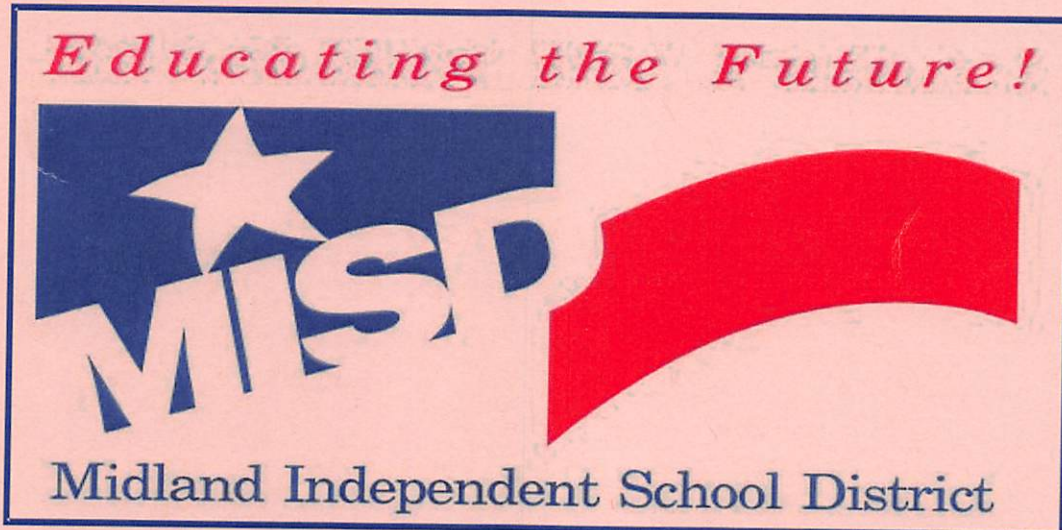

MIDLAND INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

for year ended

August 31, 2012



615 WEST MISSOURI
MIDLAND, TEXAS 79701-5017

Educating the Future!

MIDLAND INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2012

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the 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, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2013, 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Budgetary Comparison Schedule information on pages 7 through 14 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and other supplementary information, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements, other supplementary information 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section and that portion marked as "unaudited" have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, LLP


Midland, Texas
January 21, 2013

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, 2012 at a meeting of the Board of Trustees of such school district on the 12th day of February, 2013.



Signature of Board Secretary



Signature of Board President

CONFIDENTIAL

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FINANCIAL SECTION

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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, 2012. 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 Assets 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 Assets and the Statement of Activities

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

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

- **Governmental activities** - All of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.
- **Component 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 Assets and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.
- **Proprietary funds**—The District reports the activities for which it charges users (other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Assets and the Statement of Activities, 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 Assets and Changes in Fiduciary Net Assets. 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 asset 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 assets (Table I) and changes in net assets (Table II) of the District's governmental and business-type activities.

Net assets of the District's governmental activities increased from \$112,419,483 to \$116,190,928. Unrestricted net assets are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. Unrestricted Net Assets was \$41,878,928. This increase in total governmental net assets was mostly the result of increased capital assets, net of related debt.

**Table I
Midland Independent School District**

NET ASSETS			
	Governmental Activities 2010-2011	Governmental Activities 2011-2012	Difference
Current and Other Assets	72,704,305	84,109,379	11,405,074
Capital Assets	180,500,769	175,707,957	(4,792,812)
Total Assets	253,205,074	259,817,336	6,612,262
Long-term Liabilities	121,920,465	120,495,539	(1,424,926)
Other Liabilities	18,865,126	23,130,869	4,265,743
Total Liabilities	140,785,591	143,626,408	2,840,817
Invested in Capital Assets Net of Debt	58,781,233	64,433,050	5,651,817
Restricted	9,412,429	9,879,020	466,591
Unrestricted	44,225,821	41,878,858	(2,346,963)
Total Net Assets	\$ 112,419,483	\$ 116,190,928	\$ 3,771,445

Table II
Midland Independent School District

CHANGE IN NET ASSETS

	Governmental Activities 2010-2011	Governmental Activities 2011-2012	Difference
Program Revenues:			
Charges for Services	3,469,999	3,551,527	81,528
Grants and Contributions	20,587,485	15,729,723	(4,857,762)
General Revenues:			
Maintenance and Operations Taxes	110,490,542	119,524,529	9,033,987
Debt Service Taxes	11,142,016	11,598,837	456,821
State Aid	38,939,018	33,536,636	(5,402,382)
Other Grants Not Restricted to Specific Functions	8,993,143	4,373,457	(4,619,686)
Investment Earnings	115,624	136,431	20,807
Miscellaneous	1,306,939	(1,279,974)	(2,586,913)
Total Revenues	195,044,766	187,171,166	(7,873,600)
Expenses:			
Instruction, Curriculum and Media Services	116,223,187	108,314,523	(7,908,664)
Instructional and School Leadership	11,589,560	11,563,995	(25,565)
Student Support Services	15,857,458	15,046,806	(810,652)
Child Nutrition Services	10,808,928	10,194,548	(614,380)
Cocurricular Activities	4,486,619	4,712,517	225,898
General Administration	4,915,227	4,980,357	65,130
Auxiliary Services	22,064,480	22,506,176	441,696
Community Services	1,199,167	922,255	(276,912)
Debt Service	5,923,878	5,041,286	(882,592)
Shared Service Agreements	120,362	117,258	(3,104)
Total Expenditures	193,188,866	183,399,721	(9,789,145)
Increase in Net Assets	1,855,900	3,771,445	1,915,545
Beginning Net Assets	110,563,583	112,419,483	1,855,900
Ending Net Assets	\$ 112,419,483	\$ 116,190,928	\$ 3,771,445

The District's total revenues decreased approximately \$7.8 million. This decrease was primarily due to a decrease in state revenue. The total cost of all programs and services decreased by \$9.7 million, mostly because of a reduction of staff. 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 \$53.8 million, up \$5.8 million from 2011 (See Exhibit C-3). The increase is primarily due to an increase in taxable values and student growth.

Included in this year's total change in fund balance is a net decrease of \$2.8 million in the District's General Fund. As illustrated in Exhibit J-3, this leaves the District \$10.2 million below its optimum fund balance according to TEA guidelines.

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.

The District's General Fund balance of \$36 million reported on Exhibit G-1 differs from the General Fund's budgetary fund balance of \$41 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets:

At the end of 2012, the District had \$175.7 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 a decrease of \$4.7 million, net of accumulated depreciation, from last year.

Debt:

At year-end, the District had \$116.9 million in bonds and notes outstanding versus \$118.5 million last year (Note E). The district paid off \$6.3 million in principal of outstanding debt and refunded \$52.2 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:

- The state has two funding methods for school districts. One is 'target revenue' and the other is 'formula' driven. Midland ISD has seen a significant increase in taxable values for the 2011-2012 school year which resulted in increased revenues. Because of the increased values, management anticipates that the district will begin to earn more revenue than it has received under the HB1 'target revenue' system established in 2006 beginning with the 2012-2013 school year. The 'target revenue' system basically means that the district was unable to generate enough additional funding by using our taxable values to reach a guaranteed amount established by the state. Starting with the 2012-2013 school year, Midland ISD will transition to 'formula' funding 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 likely lead to recapture by the state of Texas in the 2013-2014 school year. 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 3.8%, down from 4.5% in the prior year. The state average was 7.1%. The U.S average was 8.1%.
- The Cost of Living Index for Midland was 91% 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 Refined Average Daily Attendance was 20,781, an increase of approximately 714 students from the 2011-2012 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 2012-2013 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.

FINANCIAL STATEMENTS

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MIDLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
AUGUST 31, 2012

Data Control Codes	1 Primary Government	4 Component Unit
	Governmental Activities	Component Unit
ASSETS		
1110 Cash and Cash Equivalents	\$ 10,229,621	\$ 219,792
1120 Current Investments	65,651,769	273,012
1220 Property Taxes Receivable (Delinquent)	3,222,215	-
1230 Allowance for Uncollectible Taxes	(451,110)	-
1240 Due from Other Governments	1,550,305	-
1290 Other Receivables, net	722,507	-
1300 Inventories	1,893,752	-
1410 Deferred Expenses	78,804	-
1420 Capitalized Bond and Other Debt Issuance Costs	692,240	-
1490 Other Current Assets	519,276	-
Capital Assets:		
1510 Land	9,399,653	-
1520 Buildings, Net	158,120,441	-
1530 Furniture and Equipment, Net	8,187,863	-
1000 Total Assets	<u>259,817,336</u>	<u>492,804</u>
LIABILITIES		
2110 Accounts Payable	3,832,839	9,783
2150 Payroll Deductions & Withholdings	1,767,748	-
2160 Accrued Wages Payable	4,405,633	-
2177 Due to Fiduciary Funds	8,721	-
2180 Due to Other Governments	4,388,920	-
2300 Deferred Revenues	1,974,570	-
2400 Payable from Restricted Assets	6,752,438	-
Noncurrent Liabilities		
2501 Due Within One Year	4,443,708	-
2502 Due in More Than One Year	116,051,831	-
2000 Total Liabilities	<u>143,626,408</u>	<u>9,783</u>
NET ASSETS		
3200 Invested in Capital Assets, Net of Related Debt	64,433,050	-
Restricted for:		
3840 Restricted for Food Service	3,643,967	-
3850 Restricted for Debt Service	4,790,496	-
3890 Restricted for Other Purposes	1,444,557	-
3900 Unrestricted Net Assets	41,878,858	483,021
3000 Total Net Assets	<u>\$ 116,190,928</u>	<u>\$ 483,021</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, 2012

Data Control Codes	1 Expenses	Program Revenues		
		3 Charges for Services	4 Operating Grants and Contributions	5 Capital Grants and Contributions
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 101,150,028	\$ 301,310	\$ 10,324,568	\$ 321,988
12 Instructional Resources and Media Services	2,418,510	-	81,804	-
13 Curriculum and Staff Development	4,745,985	-	1,866,461	3,675
21 Instructional Leadership	2,178,463	-	282,293	-
23 School Leadership	9,385,532	-	214,015	-
31 Guidance, Counseling and Evaluation Services	6,015,446	-	571,972	-
32 Social Work Services	101,284	-	-	-
33 Health Services	1,833,260	-	85,115	-
34 Student (Pupil) Transportation	7,096,816	-	2,500	925,059
35 Food Services	10,194,548	2,809,228	128,261	-
36 Extracurricular Activities	4,712,517	440,989	66,598	21,200
41 General Administration	4,980,357	-	1,105	-
51 Facilities Maintenance and Operations	18,619,807	-	-	129,066
52 Security and Monitoring Services	927,242	-	-	-
53 Data Processing Services	2,959,127	-	-	-
61 Community Services	922,255	-	704,043	-
72 Debt Service - Interest on Long Term Debt	4,997,878	-	-	-
73 Debt Service - Bond Issuance Cost and Fees	43,408	-	-	-
93 Payments related to Shared Services Arrangements	117,258	-	-	-
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 183,399,721	\$ 3,551,527	\$ 14,328,735	\$ 1,400,988
Component Unit:				
1C Nonmajor Component Unit	\$ 481,425	\$ -	\$ 513,229	\$ -
[TC] TOTAL COMPONENT UNITS:	\$ 481,425	\$ -	\$ 513,229	\$ -
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 Disposal of Assets			
FR	Net Diff in Unamortized Premiums-Refunded Debt			
TR	Total General Revenues, Special Items, and Transfers			
CN	Change in Net Assets			
NB	Net Assets--Beginning			
NE	Net Assets--Ending			

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

Net (Expense) Revenue and Changes in Net Assets	
6	9
Primary Government Governmental Activities	Component Unit Component Unit
\$ (90,202,162)	\$ -
(2,336,706)	-
(2,875,849)	-
(1,896,170)	-
(9,171,517)	-
(5,443,474)	-
(101,284)	-
(1,748,145)	-
(6,169,257)	-
(7,257,059)	-
(4,183,730)	-
(4,979,252)	-
(18,490,741)	-
(927,242)	-
(2,959,127)	-
(218,212)	-
(4,997,878)	-
(43,408)	-
(117,258)	-
(164,118,471)	-
-	31,804
-	31,804
119,524,529	-
11,598,837	-
37,910,093	-
136,431	228
3,080,521	-
(247,435)	-
(4,113,060)	-
167,889,916	228
3,771,445	32,032
112,419,483	450,989
\$ 116,190,928	\$ 483,021

MIDLAND INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2012

Data Control Codes	10 General Fund	National School Brkfst/Lunch	50 Debt Service Fund
ASSETS			
1110 Cash and Cash Equivalents	\$ 7,177,449	\$ 23,833	\$ 10,450
1120 Investments - Current	49,760,239	3,151,673	4,736,311
1220 Property Taxes - Delinquent	2,937,049	-	285,166
1230 Allowance for Uncollectible Taxes (Credit)	(411,187)	-	(39,923)
1240 Receivables from Other Governments	432,395	742,346	-
1260 Due from Other Funds	596,062	-	-
1290 Other Receivables	722,507	-	-
1300 Inventories	846,478	1,047,274	-
1410 Deferred Expenditures	78,804	-	-
1490 Other Current Assets	519,276	-	-
1000 Total Assets	\$ 62,659,072	\$ 4,965,126	\$ 4,992,004
LIABILITIES AND FUND BALANCES			
Liabilities:			
2110 Accounts Payable	\$ 2,346,019	\$ 852,229	\$ -
2150 Payroll Deductions and Withholdings Payable	1,767,748	-	-
2160 Accrued Wages Payable	3,701,382	200,364	-
2170 Due to Other Funds	10,887,335	268,566	-
2180 Due to Other Governments	4,002,282	-	-
2300 Deferred Revenues	3,840,698	-	201,508
2000 Total Liabilities	26,545,464	1,321,159	201,508
Fund Balances:			
Nonspendable Fund Balance:			
3410 Inventories	846,478	1,047,274	-
3430 Prepaid Items	598,080	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	2,596,693	-
3470 Capital Acquisition and Contractual Obligation	-	-	-
3480 Retirement of Long-Term Debt	-	-	4,790,496
3490 Other Restricted Fund Balance	-	-	-
3600 Unassigned Fund Balance	34,669,050	-	-
3000 Total Fund Balances	36,113,608	3,643,967	4,790,496
4000 Total Liabilities and Fund Balances	\$ 62,659,072	\$ 4,965,126	\$ 4,992,004

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

Other Funds	Total Governmental Funds
\$ 1,470,633	\$ 8,682,365
-	57,648,223
-	3,222,215
-	(451,110)
375,564	1,550,305
9,357,756	9,953,818
-	722,507
-	1,893,752
-	78,804
-	519,276
<u>\$ 11,203,953</u>	<u>\$ 83,820,155</u>

\$ 630,821	\$ 3,829,069
-	1,767,748
503,887	4,405,633
132,680	11,288,581
386,638	4,388,920
217,611	4,259,817
<u>1,871,637</u>	<u>29,939,768</u>

-	1,893,752
-	598,080
847,449	3,444,142
8,369,692	8,369,692
-	4,790,496
115,175	115,175
-	34,669,050
<u>9,332,316</u>	<u>53,880,387</u>

<u>\$ 11,203,953</u>	<u>\$ 83,820,155</u>
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MIDLAND INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET ASSETS
 AUGUST 31, 2012

Total Fund Balances - Governmental Funds	\$	53,880,387
<p>The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The net effect of this consolidation is to increase net assets.</p>		
		4,120,636
<p>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 \$281,618,028 and the accumulated depreciation was \$101,117,259. 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 assets.</p>		
		58,695,738
<p>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 2012 capital outlays and debt principal payments is to increase net assets.</p>		
		5,601,977
<p>The 2012 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.</p>		
		(8,393,057)
<p>Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, 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 assets.</p>		
		2,285,247
Net Assets of Governmental Activities	\$	116,190,928

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, 2012

Data Control Codes	10 General Fund	National School Brkfst/Lunch	50 Debt Service Fund
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 123,388,755	\$ 2,838,996	\$ 11,656,849
5800 State Program Revenues	28,332,912	59,882	-
5900 Federal Program Revenues	2,163,319	7,657,494	-
5020 Total Revenues	<u>153,884,986</u>	<u>10,556,372</u>	<u>11,656,849</u>
EXPENDITURES:			
Current:			
0011 Instruction	85,355,617	-	-
0012 Instructional Resources and Media Services	2,160,768	-	-
0013 Curriculum and Instructional Staff Development	2,848,943	-	-
0021 Instructional Leadership	1,883,325	-	-
0023 School Leadership	8,939,027	-	-
0031 Guidance, Counseling and Evaluation Services	5,407,293	-	-
0032 Social Work Services	90,855	-	-
0033 Health Services	1,719,717	-	-
0034 Student (Pupil) Transportation	6,274,614	-	-
0035 Food Services	-	10,356,136	-
0036 Extracurricular Activities	3,928,188	-	-
0041 General Administration	4,943,728	-	-
0051 Facilities Maintenance and Operations	17,752,278	-	-
0052 Security and Monitoring Services	898,665	-	-
0053 Data Processing Services	2,971,682	-	-
0061 Community Services	212,012	-	-
Debt Service:			
0071 Principal on Long Term Debt	-	-	6,315,000
0072 Interest on Long Term Debt	-	-	4,997,878
0073 Bond Issuance Cost and Fees	-	-	1,900
Capital Outlay:			
0081 Facilities Acquisition and Construction	1,049,498	-	-
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	117,258	-	-
6030 Total Expenditures	<u>146,553,468</u>	<u>10,356,136</u>	<u>11,314,778</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>7,331,518</u>	<u>200,236</u>	<u>342,071</u>
OTHER FINANCING SOURCES (USES):			
7911 Capital Related Debt Issued (Regular Bonds)	-	-	49,335,000
7915 Transfers In	-	-	-
7916 Premium or Discount on Issuance of Bonds	-	-	7,400,226
7949 Other Resources	-	-	-
8911 Transfers Out (Use)	(10,000,000)	-	-
8940 Payment to Bond Refunding Escrow Agent (Use)	-	-	(56,735,226)
8949 Other (Uses)	(133,644)	-	-
7080 Total Other Financing Sources (Uses)	<u>(10,133,644)</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balances	(2,802,126)	200,236	342,071
0100 Fund Balance - September 1 (Beginning)	38,915,734	3,443,731	4,448,425
3000 Fund Balance - August 31 (Ending)	<u>\$ 36,113,608</u>	<u>\$ 3,643,967</u>	<u>\$ 4,790,496</u>

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

Other Funds	Total Governmental Funds
\$ 295,311	\$ 138,179,911
1,141,560	29,534,354
13,990,432	23,811,245
<u>15,427,303</u>	<u>191,525,510</u>
10,646,556	96,002,173
81,804	2,242,572
1,870,136	4,719,079
282,293	2,165,618
214,015	9,153,042
571,972	5,979,265
-	90,855
85,115	1,804,832
927,559	7,202,173
128,261	10,484,397
87,798	4,015,986
1,105	4,944,833
108,713	17,860,991
-	898,665
-	2,971,682
704,043	916,055
-	6,315,000
-	4,997,878
-	1,900
250,672	1,300,170
-	117,258
<u>15,960,042</u>	<u>184,184,424</u>
<u>(532,739)</u>	<u>7,341,086</u>
-	49,335,000
8,553,525	8,553,525
-	7,400,226
80,119	80,119
-	(10,000,000)
-	(56,735,226)
-	(133,644)
<u>8,633,644</u>	<u>(1,500,000)</u>
8,100,905	5,841,086
1,231,411	48,039,301
<u>\$ 9,332,316</u>	<u>\$ 53,880,387</u>

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, 2012

Total Net Change in Fund Balances - Governmental Funds	\$	5,841,086
 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 income of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net assets.		715,288
 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 2012 capital outlays and debt principal payments is to increase net assets.		5,601,977
 Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.		(8,393,057)
 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, 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 assets.		6,151
 Change in Net Assets of Governmental Activities	\$	3,771,445

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

MIDLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
AUGUST 31, 2012

Data Control Codes		Internal Service Fund
ASSETS		
Current Assets:		
1110	Cash and Cash Equivalents	\$ 1,547,256
1120	Investments - Current	8,003,546
1260	Due from Other Funds	<u>1,501,232</u>
1000	Total Assets	<u>11,052,034</u>
LIABILITIES		
Current Liabilities:		
2110	Accounts Payable	3,770
2170	Due to Other Funds	175,190
2400	Accrued Expenses	<u>6,752,438</u>
2000	Total Liabilities	<u>6,931,398</u>
NET ASSETS		
3300	Unrestricted Net Assets	<u>4,120,636</u>
3000	Total Net Assets	<u>\$ 4,120,636</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 ASSETS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes		Internal Service Fund
	OPERATING REVENUES	
5700	Local and Intermediate Sources	<u>\$ 15,822,084</u>
5020	Total Operating Revenues	<u>15,822,084</u>
	OPERATING EXPENSES:	
6100	Payroll Costs	162,599
6300	Supplies and Materials	9,273
6400	Other Operating Costs	<u>16,452,811</u>
	Total Operating Expenses	<u>16,624,683</u>
	Operating Loss	(802,599)
	NONOPERATING REVENUE (EXPENSES):	
7915	Transfers In	1,500,000
7955	Earnings from Investments	<u>17,887</u>
	Change in Net Assets	715,288
0100	Total Net Assets - September 1 (Beginning)	<u>3,405,348</u>
3000	Total Net Assets - August 31 (Ending)	<u>\$ 4,120,636</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, 2012

	Internal Service Fund
<hr/>	
Cash Flow from Operating Activities:	
Cash Receipts from Quasi-external Operating Activities with Other Funds	\$ 14,300,886
Cash Payments to Suppliers for Goods and Benefits	<u>(15,432,806)</u>
Net Cash Used For Operating Activities	<u>(1,131,920)</u>
Cash Flows from Investing Activities:	
Interest on Investments	<u>17,887</u>
Net Decrease in Cash and Investments	(1,114,033)
Cash and Investments at the Beginning of Year	<u>10,664,835</u>
Cash and Investments at the End of the Year	<u>\$ 9,550,802</u>
 <u>Reconciliation of Operating Loss to Net Cash</u>	
<u>Used For Operating Activities:</u>	
Operating Loss	\$ (802,599)
Equity Transfer from General Fund	1,500,000
Effect of Increases and Decreases in Current Assets and Liabilities	
Increase in Receivables	(1,498,126)
Increase in Accounts Payable	1,033
Decrease in Due to Other Funds	(457,060)
Increase in Payable from Restricted Assets	<u>124,832</u>
Net Cash Used For Operating Activities	<u>\$ (1,131,920)</u>

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

MIDLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
AUGUST 31, 2012

Data Control Codes		Private Purpose Trust Funds	Employee Benefits Trust Fund	Student Activity Fund
	ASSETS			
1110	Cash and Cash Equivalents	\$ 226,014	\$ 429,661	\$ 754,324
1120	Investments - Current	643,475	468,898	-
1260	Due From Other Funds	-	31,287	-
1290	Other Receivables	-	495,684	-
1000	Total Assets	<u>\$ 869,489</u>	<u>\$ 1,425,530</u>	<u>\$ 754,324</u>
	LIABILITIES			
2110	Accounts Payable	\$ -	\$ 898,559	\$ 19,058
2170	Due to Other Funds	22,566	-	-
2400	Payable from Restricted Assets	846,923	526,971	-
2420	Due to Student Groups	-	-	735,266
2420	Due to Employees	-	-	-
2000	Total Liabilities	<u>\$ 869,489</u>	<u>\$ 1,425,530</u>	<u>\$ 754,324</u>
	NET ASSETS			
	Unrestricted Net Assets	\$ -		
3000	Total Net Assets	<u><u>\$ -</u></u>		

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

MIDLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUNDS
FOR YEAR ENDED AUGUST 31, 2012

Data Control Codes		Beginning Balance	Additions	Deletions	Ending Balance
PRIVATE PURPOSE TRUST FUNDS					
1110	Cash and Cash Equivalents	\$ 104,806	\$ 130,827	\$ 9,620	\$ 226,013
1120	Investments - Current	702,320	381	59,225	643,476
1000	Total Assets	<u>\$ 807,126</u>	<u>\$ 131,208</u>	<u>\$ 68,845</u>	<u>\$ 869,489</u>
2170	Due to Other Funds	\$ 22,566	\$ -	\$ -	\$ 22,566
2400	Payable from Restricted Assets	784,560	131,208	68,845	846,923
2000	Total Liabilities	<u>\$ 807,126</u>	<u>\$ 131,208</u>	<u>\$ 68,845</u>	<u>\$ 869,489</u>
EMPLOYEE BENEFITS TRUST FUND					
1110	Cash and Cash Equivalents	\$ 378,444	\$ 61,256	\$ 10,039	\$ 429,661
1120	Investments - Current	468,390	508	-	468,898
1260	Due from Other Funds	31,287	-	-	31,287
1290	Other Receivables	414,932	80,752	-	495,684
1000	Total Assets	<u>\$ 1,293,053</u>	<u>\$ 142,516</u>	<u>\$ 10,039</u>	<u>\$ 1,425,530</u>
2110	Accounts Payable	\$ 836,794	\$ 61,764	\$ -	\$ 898,558
2170	Due to Other Funds	10,039	-	10,039	-
2400	Payable from Restricted Assets	446,220	70,752	-	516,972
2000	Total Liabilities	<u>\$ 1,293,053</u>	<u>\$ 132,516</u>	<u>\$ 10,039</u>	<u>\$ 1,415,530</u>
STUDENT ACTIVITY FUNDS					
1110	Cash and Cash Equivalents	\$ 690,667	\$ 1,794,040	\$ 1,730,383	\$ 754,324
1000	Total Assets	<u>\$ 690,667</u>	<u>\$ 1,794,040</u>	<u>\$ 1,730,383</u>	<u>\$ 754,324</u>
2110	Accounts Payable	\$ 9,332	\$ 30,926	\$ 21,200	\$ 19,058
2420	Due to Student Groups	681,335	1,763,114	1,709,183	735,266
2000	Total Liabilities	<u>\$ 690,667</u>	<u>\$ 1,794,040</u>	<u>\$ 1,730,383</u>	<u>\$ 754,324</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, 2012

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 No. 69* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

A. REPORTING ENTITY

The Board of Trustees (the "Board") is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity." The 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 Assets and the Statement of Activities are government-wide financial statements. They report information on all of the District and its component units nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, state foundation funds, grants and other intergovernmental revenues.

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 Assets and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Assets. All interfund transactions between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Assets 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. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Assets (Exhibit A-1). The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

D. FUND ACCOUNTING

The District reports the following major governmental funds:

1. **The General Fund** - 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, 2012, the rates were \$1.04005 for maintenance and \$.101 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 14 % of the outstanding property taxes at August 31, 2012.

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 Assets -

Government-Wide Financial Statements

Net assets on the Statement of Net Assets include the following:

Invested in capital assets, net of related debt -- the component of net assets that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt 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 assets that reports the fund balance of the National School Breakfast/Lunch Program.

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

Restricted for other purposes - component of net assets 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, 2012 the District had no assigned fund balance classifications.

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, 2012.

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 ASSETS

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net assets for governmental activities as reported in the government-wide statement of net assets. 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 Assets
Land	\$ 9,424,361	\$ -----	\$ 9,424,361	
Buildings & Improvements	243,813,912	(80,968,338)	162,845,574	
Furniture & Equipment	28,379,755	(20,148,921)	8,230,834	
Capitalized Bond and Other Debt Issuance Costs	115,434	---	115,434	
Net Change in Assets				\$ 180,616,203
Long-term Liabilities at the Beginning of Year	Beginning Payables			
Bonds Payable (net of accretion and amortized premium)	(118,573,275)			
Other Payables	(3,347,190)			
Net Change in Assets				(121,920,465)
Total Adjustment to Net Assets				\$ 58,695,738

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 assets 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 asset balance and the change in net assets. The details of this adjustment are as follows:

Capital Outlays & Long-Term Debt:	Amount
Additions - Land	\$ (142)
Additions - Furniture & Equipment	\$ (2,883,459)
Additions - Buildings & Improvements	(964,079)
Loss on Disposal of Assets	247,435
Issuance Cost	(618,314)
Amortization of Debt Issuance Costs	41,508
Compensated Absence – Addition	158,700
Bond Principal Issue net of Payments	(1,583,626)
Total Adjustment to Net Assets	\$ (5,601,977)

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	\$ 13,150
Adjustments to Taxes - Debt Service Levy	(6,999)
Total Adjustments to Beginning Net Assets	\$ 6,151

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, 2012, 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 \$7,300,019 and occurred on August 31, 2012.
3. Largest combined collected cash account balance required to be collateralized amounted to \$12,600,621 and occurred on August 31, 2012.
4. Total amount of FDIC coverage at the time of the largest combined balance was \$250,000.

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 2011-2012 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 and Texas CLASS.

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 investments held at August 31, 2012 are as follows:

	Fair Value	Rating	WAM (1)	WAM (2)
Cash and Imprest Funds	\$ 11,859,412	Aa3 per Moody’s	N/A	N/A
Texpool	13,139,912	AAAm per Standard and Poors	40 Days	83 Days
Texpool Prime	2,738,279	AAAm per Standard and Poors	54 Days	70 Days
Lone Star/First Public	11,721,656	AAAm per Standard and Poors	46 Days	108 Days
Texas Class	39,437,307	AAAm per Standard and Poors	41 Days	n/a
	<u>\$ 78,896,566</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, 2012 are classified in the accompanying financial statements as follows:

Governmental funds	\$	66,330,588
Proprietary funds		9,550,802
Fiduciary funds		2,522,372
Component Unit		492,804
	\$	<u>78,896,566</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, 2012, 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	\$ -	\$ 856,048	\$ -	\$8,500,000	\$1,500,000	\$ 31,287	\$10,887,335
Due From Special Revenue Funds	398,306	1,708	-	-	1,232	-	401,246
Due From Debt Service Funds	-	-	-	-	-	-	-
Due From Capital Projects Fund	-	-	-	-	-	-	-
Due From Enterprise Funds	-	-	-	-	-	-	-
Due From Internal Service Funds	175,190	-	-	-	-	-	175,190
Due From Trust & Agency Funds	22,566	-	-	-	-	-	22,566
Total Due From	\$ 596,062	\$ 857,756	\$ -	\$8,500,000	\$1,501,232	\$ 31,287	\$11,486,337
Due To General Fund	\$ -	\$ 398,306	\$ -	\$ -	\$ 175,190	\$ 22,566	\$ 596,062
Due To Special Revenue Funds	\$ 856,048	1,708	-	-	-	-	\$ 857,756
Due To Debt Service Fund	-	-	-	-	-	-	-
Due To Enterprise Funds	-	-	-	-	-	-	-
Due To Capital Projects Fund	\$ 8,500,000	-	-	-	-	-	\$ 8,500,000
Due To Internal Service Funds	\$ 1,500,000	1,232	-	-	-	-	\$ 1,501,232
Due To Trust & Agency Funds	31,287	-	-	-	-	-	31,287
Total Due To	\$ 10,887,335	\$ 401,246	\$ -	\$ -	\$ 175,190	\$ 22,566	\$11,486,337

Interfund transfers for the year ended August 31, 2012 consisted of operation funds transferred to fund the Storytelling Project, the West Renovation Capital Project, the Technology Infrastructure Capital Project and the 2012 Bond Project. These transfers are reflected in the following amounts:

Transfers Out		Totals
General Fund		
Storytelling Fund	\$ 53,525	
Cap Project - West Renovation	\$4,600,000	
Cap Project - Technology Infrastructure	\$3,900,000	
Cap Project - 2012 Capital Project	\$ 80,119	
Self Insurance Fund	<u>\$1,500,000</u>	
Total - Transfers Out		<u>\$10,133,644</u>
Transfers In		Totals
Special Revenue Fund		
Storytelling Fund	<u>\$ 53,525</u>	
Sub Total – Special Revenue Fund		<u>\$ 53,525</u>
Capital Projects Funds		
West Renovation	\$4,600,000	
Technology Infrastructure	\$3,900,000	
2012 Bond Project	<u>\$ 80,119</u>	
Sub Total - Special Revenue Funds		<u>\$8,580,119</u>
Proprietary Fund		
Self Insurance Fund	<u>\$1,500,000</u>	
Sub Total – Proprietary Funds		<u>\$1,500,000</u>
Total – Transfers In		<u>\$10,133,644</u>

D. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended August 31, 2012, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Land	\$ 9,424,361	\$ 142	\$ (24,850)	\$ 9,399,653
Buildings and Improvements	243,813,912	964,079	(167,586)	244,610,405
Furniture and Equipment	28,379,755	2,883,459	(1,436,510)	29,826,704
Totals at Historic Cost	281,618,028	3,847,680	(1,628,946)	283,836,762
Less Accumulated Depreciation:				
Buildings and Improvements	(80,968,338)	(5,612,649)	91,023	(86,489,964)
Furniture and Equipment	(20,148,921)	(2,780,408)	1,290,488	(21,638,841)
Leased Property Under Capital Leases	-----	-----	-----	-----
Total Accumulated Depreciation	(101,117,259)	(8,393,057)	1,381,511	(108,128,805)
Governmental Activities Capital Assets, Net	\$180,500,769	\$ (4,545,377)	\$ (247,435)	\$175,707,957

Depreciation expense was charged to governmental functions as follows:	Amount
Instruction	\$ (4,902,054)
Instructional Resources and Media Services	(165,147)
Curriculum and Instructional Staff Development	(19,755)
Instructional Leadership	(5,928)
School Leadership	(193,259)
Guidance, Counseling and Evaluation Services	(8,782)
Social Work Services	(9,992)
Health Services	(18,578)
Student (Pupil) Transportation	(768,809)
Food Services	(288,125)
Extracurricular Activities	(786,751)
General Administration	(22,827)
Plant Maintenance and Operations	(1,104,640)
Security and Monitoring Service	(53,430)
Data Processing Services	(44,980)
Total Adjustment to Net Assets (See C-2 and C-4)	\$ (8,393,057)

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, 2012 is as follows:

<u>Issue</u>	<u>Description</u>	<u>Interest Rate</u>	<u>Matures</u>	<u>Debt Outstanding</u>
\$ 53,095,000	Series 2003 Unl Tax Sch Bldg & Ref Bds	2.75%	2028	\$ 12,655,000
\$25,285,000	Series 2004 Unl Tax Sch Bldg Bds	5.0%	2015	1,690,730
\$ 13,655,000	Series 2006 Unl Tax Bldg Bds	4.0 – 4.5%	2020	10,580,000
\$ 37,035,000	Series 2007 Unl Tax Bldg Bds	4.25 – 5.0%	2032	34,845,000
\$ 1,340,000	Series 2009 Unl Tax Bldg Bds	1.30%	2020	975,000
\$ 26,500,000	Series 2011 Unl Tax Bldg Bds	1.75 – 5.0%	2028	25,105,000
\$ 22,835,000	Series 2012 Unl Tax Bldg Bds	3.0 – 5.0%	2028	22,835,000
	Total Bonded Debt			108,685,730
	Plus: Unamortized Premium on Refundings			8,303,919
	Total Bonded Debt Long Term			\$ 116,989,649

A summary of long term debt transactions as of August 31, 2012 is as follows:

	<u>Balance at</u> <u>9/1/2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at</u> <u>8/31/2012</u>	<u>Due Within</u> <u>One Year</u>
General Obligation Bonds	\$ 117,150,725	\$ 49,335,000	\$ (57,799,995)	\$ 108,685,730	\$ 3,814,365
Accreted Interest	1,310,433	-	(1,310,433)	-	-
Unamortized Issuance					
Costs/Discounts/Premiums	112,117	8,601,477	(409,675)	8,303,919	629,343
Total Bonds Payable	\$ 118,573,275	\$ 57,936,477	\$ (59,520,103)	\$ 116,989,649	\$ 4,443,708

Debt service requirements are as follows:

Year	Principal	Interest	Total
2013	\$4,443,708	\$5,115,433	\$9,559,141
2014	\$4,534,494	\$5,029,547	\$9,564,041
2015	\$4,605,556	\$4,954,586	\$9,560,142
2016	\$4,878,608	\$4,473,060	\$9,351,668
2017	\$5,068,608	\$4,287,186	\$9,355,794
2018-2022	\$28,413,941	\$18,075,287	\$46,489,228
2023-2027	\$32,589,840	\$11,670,891	\$44,260,731
2028-2032	\$32,454,894	\$3,968,250	\$36,423,144
Total	\$ 116,989,649	\$57,574,240	\$ 174,563,889

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 \$58,000,000.

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, 2012.

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, 2012 is \$ -0-.

F. 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, 2012, the District's liability for unused sick leave is \$3,505,890.

G. 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 8701, 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 2010, 2011, and 2012 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, 2010, 2011 and 2012 were \$5,662,098, \$5,596,331, and \$5,602,059 respectively. Midland Independent School District paid additional state contributions for the years ended August 31, 2010, 2011, and 2012 in the amount of \$2,403,213, \$2,775,352, and \$2,297,733, 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, 2010, 2011 and 2012, the subsidy payments received by TRS-Care on behalf of the District were \$447,054, \$412,161 and \$372,458, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements.

H. 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, 2012, 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, 2012, 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:

	<u>Year Ended</u> <u>August 31, 2011</u>	<u>Year Ended</u> <u>August 31, 2012</u>
Unpaid claims, beginning of the year	\$ 2,933,391	\$ 2,766,577
Incurred claims/changes in estimates (including IBNR'S)	12,290,997	16,047,736
Claim Payments	<u>(12,457,811)</u>	<u>(15,810,347)</u>
Unpaid claims, end of fiscal year	<u>\$ 2,766,577</u>	<u>\$ 3,003,966</u>

I. CHANGES IN NONCURRENT LIABILITIES

Long-term activity for the year ended August 31, 2012, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Bonds and Notes Payable	\$ 5,777,149	\$ -----	\$ (1,333,441)	\$ 4,443,708
Compensated Absences	-----	-----	---	-----
Total Noncurrent Liabilities Due Within One Year	\$ 5,777,149	\$ -----	\$ (1,333,441)	\$ 4,443,708
	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Bonds and Notes Payable	\$ 112,796,126	\$ 57,936,477	\$ (58,186,662)	\$ 112,545,941
Compensated Absences	3,347,190	158,700	-----	3,505,890
Total Noncurrent Liabilities Due In More Than One Year	\$ 116,143,316	\$ 58,095,177	\$ (58,186,662)	\$ 116,051,831
	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Bonds and Notes Payable	\$ 118,573,275	\$ 57,936,477	\$ (59,520,103)	\$ 116,989,649
Compensated Absences	3,347,190	158,700	---	3,505,890
Total Noncurrent Liabilities	\$ 121,920,465	\$ 58,095,177	\$ (59,520,103)	\$ 120,495,539

J. 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, 2012. The future minimum lease payments for these leases are as follows:

Year Ending August 31, 2013	\$ 378,900
Total	\$ 378,900

K. DEFERRED REVENUE

Deferred revenue at August 31, 2012 consisted of the following:

	General Fund	Special Revenue Funds	Debt Service Fund	Total
Net Tax Revenue	\$ 2,083,739	\$ -----	\$ 201,508	\$ 2,285,247
Gate Receipts	140,113	-----	-----	140,113
Reserve for Litigation	1,602,614	-----	-----	1,602,614
Advanced Placement	-----	27,832	-----	27,832
Buddy Davidson Foundation	-----	32,960	-----	32,960
Education Foundation Grants	-----	156,819	-----	156,819
Miscellaneous	14,232	-----	-----	14,232
Total	\$ 3,840,698	\$ 217,611	\$ 201,508	\$ 4,259,817

L. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2012, 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	\$432,395
Food Service	742,346
Summer Feeding Program	27,081
Head Start	183,901
ESEA Title I, Part C - Migrant	8,080
Even Start Family Literacy	15,327
IDEA-Part B, Preschool	4,806
Career and Technical - Basic Grant	91,854
Title III, Part A - English Language Acquisition	44,515
Total	\$1,550,305

M. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	General	Special	Debt	Capital	
	Fund	Revenue	Service	Projects	
		Funds	Fund	Fund	Total
Property Taxes	\$ 119,508,456	\$ -	\$11,610,387	\$ -	\$131,118,843
Penalties, Interest and Other Tax-related Inc.	1,125,187				1,125,187
Investment Income	104,946	6,118	7,443	37	118,544
Food Sales	-	2,810,689	-	-	2,810,689
Co-Curricular/Extra-curricular Student Act.	440,989	-	-	-	440,989
Insurance Recovery	1,100,000	-	-	-	1,100,000
Other	1,109,177	317,463	39,019	-	1,465,659
Total	\$ 123,388,755	\$3,134,270	\$11,656,849	\$ 37	\$138,179,911

N. 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, 2012.

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.

O. CONSTRUCTION COMMITMENTS

As of August 31, 2012 the District did not have any construction commitments. There was a long range planning committee organized to work with and develop a bond proposal for November 2012. Costs associated with this endeavor have been coded to a construction fund with a resolution for reimbursement to the general fund if the bond issue was successful. Subsequent year events will include the passage of this bond issue for \$163,110,000 to be issue in multiple tranches over the next three years. Although costs have been incurred for architectural related expenses there have been no formal contractual commitments for construction through the report date.

P. 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 2011-12	\$9,304,491
b) Subtract any non-medical expenditures Life Insurance	(27,525)
c) 2011-12 Maintenance of Effort	\$9,276,966

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).

Q. 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, 2012, 1,308 employees participated in the plan and the District contributed \$1,653,363.

R. 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 \$234,323 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, 2012, the accrued liabilities for worker's compensation self-insurance of \$3,748,472 includes estimated incurred but not reported claims.

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

Fiscal Year	Claims
2003	314
2004	298
2005	291
2006	287
2007	290
2008	196
2009	118
2010	123
2011	114
2012	101
10 Year Average	213

Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
2011	\$ 2,520,054	\$ 1,604,881	\$ 263,906	\$ 3,861,029
2012	\$ 3,861,029	\$ 201,046	\$ 313,603	\$ 3,748,472

S. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

T. ARBITRAGE PAYABLE

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the United States Treasury for investment income received on yields that exceed the issuer's tax exempt borrowing rates. The estimated liability is updated annually for all tax-exempt issuances or changes in yields until such time payment of the calculated liability is due. The Treasury requires payment of any liability for each issue every five years. The District had no arbitrage liability as of August 31, 2012.

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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, 2012

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	\$ 115,143,641	\$ 123,186,578	\$ 123,388,755	\$ 202,177
5800 State Program Revenues	27,371,106	28,361,951	28,332,912	(29,039)
5900 Federal Program Revenues	860,000	1,926,822	2,163,319	236,497
5020 Total Revenues	<u>143,374,747</u>	<u>153,475,351</u>	<u>153,884,986</u>	<u>409,635</u>
EXPENDITURES:				
Current:				
0011 Instruction	82,550,356	86,572,578	85,355,617	1,216,961
0012 Instructional Resources and Media Services	2,243,113	2,456,050	2,160,768	295,282
0013 Curriculum and Instructional Staff Development	3,364,431	3,469,084	2,848,943	620,141
0021 Instructional Leadership	1,571,426	1,991,117	1,883,325	107,792
0023 School Leadership	9,240,458	9,476,556	8,939,027	537,529
0031 Guidance, Counseling and Evaluation Services	4,685,006	5,495,951	5,407,293	88,658
0032 Social Work Services	256,829	258,166	90,855	167,311
0033 Health Services	1,719,480	1,890,339	1,719,717	170,622
0034 Student (Pupil) Transportation	6,479,667	6,817,197	6,274,614	542,583
0036 Extracurricular Activities	3,708,587	4,164,088	3,928,188	235,900
0041 General Administration	4,927,743	5,206,031	4,943,728	262,303
0051 Facilities Maintenance and Operations	16,138,014	17,870,990	17,752,278	118,712
0052 Security and Monitoring Services	955,154	1,064,130	898,665	165,465
0053 Data Processing Services	2,841,455	2,996,749	2,971,682	25,067
0061 Community Services	262,823	318,070	212,012	106,058
Capital Outlay:				
0081 Facilities Acquisition and Construction	368,487	1,183,476	1,049,498	133,978
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	70,000	118,000	117,258	742
6030 Total Expenditures	<u>141,383,029</u>	<u>151,348,572</u>	<u>146,553,468</u>	<u>4,795,104</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,991,718</u>	<u>2,126,779</u>	<u>7,331,518</u>	<u>5,204,739</u>
OTHER FINANCING SOURCES (USES):				
8911 Transfers Out (Use)	-	-	(10,000,000)	(10,000,000)
8949 Other (Uses)	-	-	(133,644)	(133,644)
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(10,133,644)</u>	<u>(10,133,644)</u>
1200 Net Change in Fund Balances	1,991,718	2,126,779	(2,802,126)	(4,928,905)
0100 Fund Balance - September 1 (Beginning)	-	38,915,734	38,915,734	-
3000 Fund Balance - August 31 (Ending)	<u>\$ 1,991,718</u>	<u>\$ 41,042,513</u>	<u>\$ 36,113,608</u>	<u>\$ (4,928,905)</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, 2012

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	213 ESEA Title I Part B Even Start
ASSETS				
1110 Cash and Cash Equivalents	\$ 1,645	\$ 20,077	\$ -	\$ -
1240 Receivables from Other Governments	183,901	-	8,080	15,327
1260 Due from Other Funds	-	181,294	-	1,708
1000 Total Assets	<u>\$ 185,546</u>	<u>\$ 201,371</u>	<u>\$ 8,080</u>	<u>\$ 17,035</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
2110 Accounts Payable	\$ 10,736	\$ 33,485	\$ -	\$ 11,758
2160 Accrued Wages Payable	146,862	121,101	8,080	1,708
2170 Due to Other Funds	27,948	1,708	-	3,569
2180 Due to Other Governments	-	45,077	-	-
2300 Deferred Revenues	-	-	-	-
2000 Total Liabilities	<u>185,546</u>	<u>201,371</u>	<u>8,080</u>	<u>17,035</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>\$ 185,546</u>	<u>\$ 201,371</u>	<u>\$ 8,080</u>	<u>\$ 17,035</u>

EXHIBITH-1 (Cont'd)

224	225	242	244	255	263	280	281
IDEA - Part B Formula	IDEA - Part B Preschool	Summer Feeding Program	Career and Technical - Basic Grant	ESEA II, A Training & Recruiting	Title III, A English Lang. Acquisition	McKinney- Vento TXHE-ARRA	Conservation Research & Development
\$ -	\$ -	\$ 855,715	\$ 664	\$ -	\$ 2,370	\$ -	\$ -
-	4,806	27,081	91,854	-	44,515	-	-
539,344	-	-	-	120,407	-	-	-
<u>\$ 539,344</u>	<u>\$ 4,806</u>	<u>\$ 882,796</u>	<u>\$ 92,518</u>	<u>\$ 120,407</u>	<u>\$ 46,885</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 70,499	\$ -	\$ -	\$ 78,289	\$ 50,087	\$ -	\$ -	\$ -
200,130	4,806	2,946	393	13,621	-	-	-
-	-	32,401	13,836	-	46,885	-	-
268,715	-	-	-	56,699	-	-	-
-	-	-	-	-	-	-	-
<u>539,344</u>	<u>4,806</u>	<u>35,347</u>	<u>92,518</u>	<u>120,407</u>	<u>46,885</u>	<u>-</u>	<u>-</u>
-	-	847,449	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	847,449	-	-	-	-	-
<u>\$ 539,344</u>	<u>\$ 4,806</u>	<u>\$ 882,796</u>	<u>\$ 92,518</u>	<u>\$ 120,407</u>	<u>\$ 46,885</u>	<u>\$ -</u>	<u>\$ -</u>

MIDLAND INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2012

Data Control Codes	287 ARRA Education Jobs	289 Summer School LEP	294 ARRA IDEA B Preschool	295 ARRA Title I, Part A	
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ 5,549	\$ -	\$ -
1240	Receivables from Other Governments	-	-	-	-
1260	Due from Other Funds	-	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ 5,549</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	-	-	-	-
2170	Due to Other Funds	-	5,549	-	-
2180	Due to Other Governments	-	-	-	-
2300	Deferred Revenues	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>5,549</u>	<u>-</u>	<u>-</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>\$ -</u>	<u>\$ 5,549</u>	<u>\$ -</u>	<u>\$ -</u>

EXHIBITH-1 (Cont'd)

296 Title I, School Improvement	384 High School Initiative	392 Investment Capital Fund - Lamar	394 Life Skills Program	396 Advanced Placement Testing	410 State Textbook Fund	411 Technology Allotment	424 "DATE" Grant
\$ -	\$ -	\$ -	\$ -	\$ 28,835	\$ 83,645	\$ 78,667	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	15,003	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,835</u>	<u>\$ 98,648</u>	<u>\$ 78,667</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ 388	\$ 82,501	\$ 78,667	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	615	-	-	-
-	-	-	-	-	16,147	-	-
-	-	-	-	27,832	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,835</u>	<u>98,648</u>	<u>78,667</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,835</u>	<u>\$ 98,648</u>	<u>\$ 78,667</u>	<u>\$ -</u>

MIDLAND INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2012

Data Control Codes	427 Read to Succeed	446 Texas Fitness Now	493 Buddy Davison Grant	498 Education Foundation Grants
ASSETS				
1110 Cash and Cash Equivalents	\$ 74	\$ -	\$ 32,960	\$ 240,922
1240 Receivables from Other Governments	-	-	-	-
1260 Due from Other Funds	-	-	-	-
1000 Total Assets	<u>\$ 74</u>	<u>\$ -</u>	<u>\$ 32,960</u>	<u>\$ 240,922</u>
LIABILITIES AND FUNDBALANCES				
Liabilities:				
2110 Accounts Payable	\$ -	\$ -	\$ -	\$ 84,103
2160 Accrued Wages Payable	-	-	-	-
2170 Due to Other Funds	74	-	-	-
2180 Due to Other Governments	-	-	-	-
2300 Deferred Revenues	-	-	32,960	156,819
2000 Total Liabilities	<u>74</u>	<u>-</u>	<u>32,960</u>	<u>240,922</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>\$ 74</u>	<u>\$ -</u>	<u>\$ 32,960</u>	<u>\$ 240,922</u>

499 Other Local Special Revenue Funds	Total Nonmajor Special Revenue Funds	699 Capital Projects	Total Nonmajor Governmental Funds
\$ 119,510	\$ 1,470,633	\$ -	\$ 1,470,633
-	375,564	-	375,564
-	857,756	8,500,000	9,357,756
<u>\$ 119,510</u>	<u>\$ 2,703,953</u>	<u>\$ 8,500,000</u>	<u>\$ 11,203,953</u>
\$ -	\$ 500,513	\$ 130,308	\$ 630,821
4,240	503,887	-	503,887
95	132,680	-	132,680
-	386,638	-	386,638
-	217,611	-	217,611
<u>4,335</u>	<u>1,741,329</u>	<u>130,308</u>	<u>1,871,637</u>
-	847,449	-	847,449
-	-	8,369,692	8,369,692
115,175	115,175	-	115,175
<u>115,175</u>	<u>962,624</u>	<u>8,369,692</u>	<u>9,332,316</u>
<u>\$ 119,510</u>	<u>\$ 2,703,953</u>	<u>\$ 8,500,000</u>	<u>\$ 11,203,953</u>

MIDLAND INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	213 ESEA Title I Part B Even Start
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ 282	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	2,067,825	2,974,963	94,533	104,296
5020 Total Revenues	<u>2,067,825</u>	<u>2,975,245</u>	<u>94,533</u>	<u>104,296</u>
EXPENDITURES:				
Current:				
0011 Instruction	1,353,195	2,143,405	57,817	-
0012 Instructional Resources and Media Services	7,846	73,831	-	-
0013 Curriculum and Instructional Staff Development	19,328	337,695	50	-
0021 Instructional Leadership	-	129,173	-	-
0023 School Leadership	118,177	77,370	-	-
0031 Guidance, Counseling and Evaluation Services	4,387	-	-	-
0033 Health Services	85,115	-	-	-
0034 Student (Pupil) Transportation	2,500	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	1,105	-	-	-
0051 Facilities Maintenance and Operations	108,713	-	-	-
0061 Community Services	347,106	213,771	36,666	104,296
Capital Outlay:				
0081 Facilities Acquisition and Construction	20,353	-	-	-
6030 Total Expenditures	<u>2,067,825</u>	<u>2,975,245</u>	<u>94,533</u>	<u>104,296</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
7949 Other Resources	-	-	-	-
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>

224	225	242	244	255	263	280	281
IDEA - Part B Formula	IDEA - Part B Preschool	Summer Feeding Program	Career and Technical - Basic Grant	ESEA II, A Training & Recruiting	Title III, A English Lang. Acquisition	McKinney- Vento TXHE-ARRA	Conservation Research & Development
\$ -	\$ -	\$ -	\$ -	\$ 746	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
2,924,776	54,569	157,936	310,685	647,992	331,334	1,300	739,059
<u>2,924,776</u>	<u>54,569</u>	<u>157,936</u>	<u>310,685</u>	<u>648,738</u>	<u>331,334</u>	<u>1,300</u>	<u>739,059</u>
1,967,146	54,569	-	300,345	-	207,333	-	-
-	-	-	-	-	-	-	-
231,123	-	-	4,335	619,959	122,271	-	-
129,154	-	-	6,005	15,552	1,730	-	-
-	-	-	-	13,227	-	-	-
389,833	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
186,000	-	-	-	-	-	-	739,059
-	-	128,261	-	-	-	-	-
21,520	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,300	-
-	-	-	-	-	-	-	-
<u>2,924,776</u>	<u>54,569</u>	<u>128,261</u>	<u>310,685</u>	<u>648,738</u>	<u>331,334</u>	<u>1,300</u>	<u>739,059</u>
-	-	29,675	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	29,675	-	-	-	-	-
-	-	817,774	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 847,449</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, 2012

Data Control Codes	287 ARRA Education Jobs	289 Summer School LEP	294 ARRA IDEA B Preschool	295 ARRA Title I, Part A
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	3,462,035	5,549	6,270	99,545
5020 Total Revenues	<u>3,462,035</u>	<u>5,549</u>	<u>6,270</u>	<u>99,545</u>
EXPENDITURES:				
Current:				
0011 Instruction	3,462,035	5,549	6,270	22,250
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	-	70,776
0021 Instructional Leadership	-	-	-	679
0023 School Leadership	-	-	-	5,241
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0033 Health Services	-	-	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0061 Community Services	-	-	-	599
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	<u>3,462,035</u>	<u>5,549</u>	<u>6,270</u>	<u>99,545</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
7949 Other Resources	-	-	-	-
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>

296 Title I, School Improvement	384 High School Initiative	392 Investment Capital Fund - Lamar	394 Life Skills Program	396 Advanced Placement Testing	410 State Textbook Fund	411 Technology Allotment	424 "DATE" Grant
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	33,973	8,045	305	12,810	609,101	-	477,089
7,765	-	-	-	-	-	-	-
<u>7,765</u>	<u>33,973</u>	<u>8,045</u>	<u>305</u>	<u>12,810</u>	<u>609,101</u>	<u>-</u>	<u>477,089</u>
7,765	4,424	8,045	-	5,252	372,569	233,436	270,999
-	-	-	-	-	-	-	-
-	29,549	-	-	7,558	236,532	63,958	33,178
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	172,912
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	305	-	-	-	-
-	-	-	-	-	-	-	-
<u>7,765</u>	<u>33,973</u>	<u>8,045</u>	<u>305</u>	<u>12,810</u>	<u>609,101</u>	<u>297,394</u>	<u>477,089</u>
-	-	-	-	-	-	(297,394)	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	(297,394)	-
-	-	-	-	-	-	297,394	-
<u>\$ -</u>	<u>\$ -</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, 2012

Data Control Codes	427 Read to Succeed	446 Texas Fitness Now	493 Buddy Davison Grant	498 Education Foundation Grants
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ 4,840	\$ 186,742
5800 State Program Revenues	127	110	-	-
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	<u>127</u>	<u>110</u>	<u>4,840</u>	<u>186,742</u>
EXPENDITURES:				
Current:				
0011 Instruction	-	110	-	164,042
0012 Instructional Resources and Media Services	127	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	-	-
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	4,840	-
0033 Health Services	-	-	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	22,700
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0061 Community Services	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	<u>127</u>	<u>110</u>	<u>4,840</u>	<u>186,742</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
7949 Other Resources	-	-	-	-
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>

499 Other Local Special Revenue Funds	Total Nonmajor Special Revenue Funds	699 Capital Projects	Total Nonmajor Governmental Funds
\$ 102,664	\$ 295,274	\$ 37	\$ 295,311
-	1,141,560	-	1,141,560
-	13,990,432	-	13,990,432
<u>102,664</u>	<u>15,427,266</u>	<u>37</u>	<u>15,427,303</u>
-	10,646,556	-	10,646,556
-	81,804	-	81,804
93,824	1,870,136	-	1,870,136
-	282,293	-	282,293
-	214,015	-	214,015
-	571,972	-	571,972
-	85,115	-	85,115
-	927,559	-	927,559
-	128,261	-	128,261
43,578	87,798	-	87,798
-	1,105	-	1,105
-	108,713	-	108,713
-	704,043	-	704,043
-	20,353	230,319	250,672
<u>137,402</u>	<u>15,729,723</u>	<u>230,319</u>	<u>15,960,042</u>
<u>(34,738)</u>	<u>(302,457)</u>	<u>(230,282)</u>	<u>(532,739)</u>
53,525	53,525	8,500,000	8,553,525
-	-	80,119	80,119
<u>53,525</u>	<u>53,525</u>	<u>8,580,119</u>	<u>8,633,644</u>
18,787	(248,932)	8,349,837	8,100,905
<u>96,388</u>	<u>1,211,556</u>	<u>19,855</u>	<u>1,231,411</u>
<u>\$ 115,175</u>	<u>\$ 962,624</u>	<u>\$ 8,369,692</u>	<u>\$ 9,332,316</u>

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COMMITTEE ON THE AGING
OF THE HOUSE OF REPRESENTATIVES
SUBCOMMITTEE ON THE AGING

1987-1988	1987-1988	1987-1988	1987-1988
1988-1989	1988-1989	1988-1989	1988-1989
1989-1990	1989-1990	1989-1990	1989-1990
1990-1991	1990-1991	1990-1991	1990-1991
1991-1992	1991-1992	1991-1992	1991-1992
1992-1993	1992-1993	1992-1993	1992-1993
1993-1994	1993-1994	1993-1994	1993-1994
1994-1995	1994-1995	1994-1995	1994-1995
1995-1996	1995-1996	1995-1996	1995-1996
1996-1997	1996-1997	1996-1997	1996-1997
1997-1998	1997-1998	1997-1998	1997-1998
1998-1999	1998-1999	1998-1999	1998-1999
1999-2000	1999-2000	1999-2000	1999-2000

REQUIRED TEA SCHEDULES

1999-2000	1999-2000	1999-2000	1999-2000
2000-2001	2000-2001	2000-2001	2000-2001
2001-2002	2001-2002	2001-2002	2001-2002
2002-2003	2002-2003	2002-2003	2002-2003
2003-2004	2003-2004	2003-2004	2003-2004
2004-2005	2004-2005	2004-2005	2004-2005
2005-2006	2005-2006	2005-2006	2005-2006
2006-2007	2006-2007	2006-2007	2006-2007
2007-2008	2007-2008	2007-2008	2007-2008
2008-2009	2008-2009	2008-2009	2008-2009
2009-2010	2009-2010	2009-2010	2009-2010
2010-2011	2010-2011	2010-2011	2010-2011
2011-2012	2011-2012	2011-2012	2011-2012
2012-2013	2012-2013	2012-2013	2012-2013
2013-2014	2013-2014	2013-2014	2013-2014
2014-2015	2014-2015	2014-2015	2014-2015
2015-2016	2015-2016	2015-2016	2015-2016
2016-2017	2016-2017	2016-2017	2016-2017
2017-2018	2017-2018	2017-2018	2017-2018
2018-2019	2018-2019	2018-2019	2018-2019
2019-2020	2019-2020	2019-2020	2019-2020
2020-2021	2020-2021	2020-2021	2020-2021
2021-2022	2021-2022	2021-2022	2021-2022
2022-2023	2022-2023	2022-2023	2022-2023
2023-2024	2023-2024	2023-2024	2023-2024
2024-2025	2024-2025	2024-2025	2024-2025
2025-2026	2025-2026	2025-2026	2025-2026
2026-2027	2026-2027	2026-2027	2026-2027
2027-2028	2027-2028	2027-2028	2027-2028
2028-2029	2028-2029	2028-2029	2028-2029
2029-2030	2029-2030	2029-2030	2029-2030

MIDLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2012

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2003 and prior years	\$ 1.500000	\$ 0.105000	\$ 4,417,432,415
2004	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 (School year under audit)	1.040050	0.101000	11,235,065,718
1000 TOTALS			

(10) Beginning Balance 9/1/2011	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2012
\$ 345,380	\$ -	\$ 32,154	\$ 2,250	\$ (112,029)	\$ 198,947
168,517	-	7,060	597	(6,476)	154,384
119,493	-	11,093	1,054	(402)	106,944
116,305	-	24,713	2,100	(397)	89,095
150,079	-	40,576	3,891	1,521	107,133
163,430	-	42,738	7,178	5,114	118,628
313,266	-	120,276	14,457	18,557	197,090
590,834	-	291,053	31,479	17,150	285,452
1,398,070	-	1,878,625	189,662	1,130,870	460,653
-	128,918,452	115,931,254	11,256,079	(227,230)	1,503,889
<u>\$ 3,365,374</u>	<u>\$ 128,918,452</u>	<u>\$ 118,379,542</u>	<u>\$ 11,508,747</u>	<u>\$ 826,678</u>	<u>\$ 3,222,215</u>

MIDLAND INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2013-2014
 GENERAL AND SPECIAL REVENUE FUNDS
 AUGUST 31, 2012

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	\$ -	\$ -	\$ 383,201	\$ 2,324,152	\$ -	\$ -	\$ 2,707,353
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	58,591	-	-	-	-	-	58,591
6212	Audit Services	-	-	-	99,095	-	-	99,095
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	1,389,321	-	-	-	-	1,389,321
621X	Other Professional Services	-	-	2,500	11,900	-	-	14,400
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	13,358	419,282	-	-	432,640
6240	Contr. Maint. and Repair	-	-	-	-	1,220	-	1,220
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	-	-	-	-
6290	Miscellaneous Contr.	736	-	162	280,948	-	-	281,846
6320	Textbooks and Reading	-	-	-	-	-	-	-
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	219	-	24,200	77,420	-	-	101,839
6410	Travel, Subsistence, Stipends	17,359	-	23,313	48,788	-	-	89,460
6420	Ins. and Bonding Costs	-	-	-	94,199	-	-	94,199
6430	Election Costs	-	-	-	-	-	-	-
6490	Miscellaneous Operating	6,103	-	28,565	30,861	-	-	65,529
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	\$ 83,008	\$ 1,389,321	\$ 475,299	\$ 3,386,645	\$ 1,220	\$ -	\$ 5,335,493

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 172,639,327

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 3,827,788
Total Debt & Lease(6500)	(11)	-
Plant Maintenance (Function 51, 6100-6400)	(12)	17,397,045
Food (Function 35, 6341 and 6499)	(13)	3,820,479
Stipends (6413)	(14)	-
Column 4 (above) - Total Indirect Cost		<u>3,386,645</u>

SubTotal:

28,431,957

Net Allowed Direct Cost

\$ 144,207,370

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 244,610,405
Historical Cost of Building over 50 years old	(16)	\$ 16,464,443
Amount of Federal Money in Building Cost (Net of #16)	(17)	\$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18)	\$ 29,560,628
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ 1,004,953
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ 301,587

(8) NOTE A: \$391,765 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
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
 GENERAL FUNDS AS OF AUGUST 31, 2012

EXHIBIT J-3

UNAUDITED

1	Total General Fund Balance as of 8/31/12 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 36,113,608
2	Total Non-Spendable Fund Balance (from Exhibit C-1 - for the General Fund Only)	\$ 1,444,557	
3	Total Restricted Fund Balance (from Exhibit C-1 - for the General Fund Only)	-	
4	Total Committed Fund Balance (from Exhibit C-1 - for the General Fund Only)	-	
5	Total Assigned Fund Balance (from Exhibit C-1 - for the General Fund Only)	-	
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.)	16,747,134	
7	Estimate of two month's average cash disbursements during the fiscal year.	26,151,600	
8	Estimate of delayed payments from state sources (58xx).	2,000,000	
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount.	-	
10	Estimate of delayed payments from federal sources (59xx)	-	
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	-	
12	Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)		<u>46,343,291</u>
13	Excess (Deficit) Unassigned Fund Balance (Line 1 minus Line 12)		<u>\$ (10,229,683)</u>

MIDLAND INDEPENDENT SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 BUDGET AND ACTUAL - NATIONAL BREAKFAST AND LUNCH PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2012

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	\$ 2,456,565	\$ 2,456,565	\$ 2,838,996	\$ 382,431
5800 State Program Revenues	60,000	60,000	59,882	(118)
5900 Federal Program Revenues	7,652,870	7,652,870	7,657,494	4,624
5020 Total Revenues	10,169,435	10,169,435	10,556,372	386,937
EXPENDITURES:				
0035 Food Services	10,169,435	10,669,435	10,356,136	313,299
6030 Total Expenditures	10,169,435	10,669,435	10,356,136	313,299
1200 Net Change in Fund Balances	-	(500,000)	200,236	700,236
0100 Fund Balance - September 1 (Beginning)	-	3,443,731	3,443,731	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ 2,943,731	\$ 3,643,967	\$ 700,236

MIDLAND INDEPENDENT SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2012

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	\$ 11,376,557	\$ 11,591,853	\$ 11,656,849	\$ 64,996
5020 Total Revenues	11,376,557	11,591,853	11,656,849	64,996
EXPENDITURES:				
Debt Service:				
0071 Principal on Long Term Debt	6,318,679	6,679,189	6,315,000	364,189
0072 Interest on Long Term Debt	4,997,878	4,997,878	4,997,878	-
0073 Bond Issuance Cost and Fees	60,000	60,000	1,900	58,100
6030 Total Expenditures	11,376,557	11,737,067	11,314,778	422,289
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(145,214)	342,071	487,285
OTHER FINANCING SOURCES (USES):				
7911 Capital Related Debt Issued (Regular Bonds)	-	-	49,335,000	49,335,000
7916 Premium or Discount on Issuance of Bonds	-	-	7,400,226	7,400,226
8940 Payment to Bond Refunding Escrow Agent (Use)	-	-	(56,735,226)	(56,735,226)
7080 Total Other Financing Sources (Uses)	-	-	-	-
1200 Net Change in Fund Balances	-	(145,214)	342,071	487,285
0100 Fund Balance - September 1 (Beginning)	-	4,448,425	4,448,425	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ 4,303,211	\$ 4,790,496	\$ 487,285

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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 the financial statements of the governmental activities, the 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, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 21, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the District, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P

Midland, Texas
January 21, 2013



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133

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

Compliance

We have audited Midland Independent School District's (the District) compliance with the types of compliance requirements described in the *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, 2012. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District, complied, in all material respects, with the 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, 2012.

Internal Control over Compliance

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

compliance in accordance with OMB Circular A-133, 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of the District's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on the District's compliance but not to provide an opinion on the effectiveness of the District's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's compliance with requirements applicable to each major program and its internal control over compliance. 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 21, 2013

**MIDLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2012**

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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.410A	Education Jobs Fund
81.086	Conservation Research and Development ARRA
10.555	National School Lunch Program
10.555	National School Breakfast Program
10.559	Summer Feeding Program

Dollar threshold used to distinguish between type A and type B programs: \$648,578

Auditee qualified as low-risk auditee? X Yes No

**MIDLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2012**

II. FINANCIAL STATEMENT FINDINGS

None.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

No matters were reported.

**MIDLAND INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED AUGUST 31, 2012**

II. FINANCIAL STATEMENT FINDINGS

None.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

No matters were reported.

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MIDLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2012

(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	12610101165901	\$ 2,975,245
ESEA, Title I, Part C - Migratory Children	84.011A	12615001165901	94,533
*IDEA - Part B, Formula	84.027	126600011659016600	2,924,776
*IDEA - Part B, Preschool	84.173	126610011659016610	54,569
Total Special Education Cluster (IDEA)			2,979,345
Career and Technical - Basic Grant	84.048A	12420006165901	310,685
McKinney-Vento TXHE-ARRA	84.196A	MVP2-007	1,300
ESEA, Title I, Part B - Even Start Family Literacy	84.213C	116120017110410	104,296
Title III, Part A - English Language Acquisition	84.365A	12671001165901	331,334
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	12694501165901	648,738
Education Jobs Fund - ARRA	84.410A	11550101165901	3,462,035
Summer School - LEP	84.369A	069550902	5,549
Title I, Part A - ARRA/Stimulus	84.389A	10551001165901	99,545
IDEA-B Preschool - ARRA/LEA	84.392A	10555001165901	6,270
Title I - School Improvement	84.010A	12610104165901118	7,765
Total Passed Through State Department of Education			\$ 11,026,640
TOTAL DEPARTMENT OF EDUCATION			\$ 11,026,640
U.S. DEPARTMENT OF ENERGY			
<u>Passed Through Railroad Commission of Texas</u>			
Conservation Research and Development - ARRA	81.086		\$ 739,059
Total Passed Through Railroad Commission of Texas			\$ 739,059
TOTAL DEPARTMENT OF ENERGY			\$ 739,059
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through State Department of Education</u>			
Head Start	93.600	06CH6994/42	\$ 2,067,825
Total Passed Through State Department of Education			\$ 2,067,825
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 2,067,825
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*National School Lunch Program	10.555		\$ 7,657,494
*Summer Feeding Program	10.559		128,261
Total Child Nutrition Cluster			7,785,755
Total Passed Through the State Department of Agriculture			\$ 7,785,755
TOTAL DEPARTMENT OF AGRICULTURE			\$ 7,785,755
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 21,619,279

*Clustered Programs

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**MIDLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2012**

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	\$ 2,163,319
200-499	Special Revenue Funds	<u>21,647,926</u>
		<u>23,811,245</u>
	Audit Period Expenditures From the Schedule of Expenditures of Federal Awards	<u>\$21,619,279</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.

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