

Paula O'Neil

MIDLAND INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

for year ended

August 31, 2011



615 WEST MISSOURI
MIDLAND, TEXAS 79701-5017

Educating the Future!



January 10, 2012

To the Superintendent and
The Board of Trustees of
Midland Independent School District

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) for the year ended August 31, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 10, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. During the year ended August 31, 2011, the District adopted the provisions of GASB No. 54, *Fund Balance Reporting and Government Type Definitions*. 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. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statement in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the depreciation expense is based on estimated lives of the asset and is allocated on a straight line method over those estimated lives.
- Management's estimate of the allowance for doubtful accounts is based on average historical collection percentages.

To the Superintendent and
Board of Trustees of
Midland Independent School District
January 10, 2012

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- Management's estimate of claims incurred but not reported is based on comparable industry averages.

We evaluated the key factors and assumptions used to develop the depreciation expense, allowances for doubtful accounts and claims incurred but not reported in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 10, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a

To the Superintendent and
Board of Trustees of
Midland Independent School District
January 10, 2012

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consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the District's Board of Trustees, the Audit Committee and management of the District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

CDB:dls

MIDLAND INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2011

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CERTIFICATE OF BOARD

Midland Independent School District
Midland County

Co.-Dist. Number - 165901

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) approved disapproved for the year ended August 31, 2011 at a meeting of the Board of Trustees of such school district on the 10th day of January, 2012.

Signature of Board Secretary

Signature of Board President

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

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, 2011, 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, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2012, 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.



To the Board of Trustees
Midland Independent School District

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The accompanying Management's Discussion and Analysis and Budgetary Comparison Schedule – General Fund are not a required part of the basic financial statements but are supplementary information required by Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the supplementary information and express no opinion on it.

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 TEA required schedules, 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 TEA required schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the financial statements, and in our opinion, except for the introductory section and that portion marked as "unaudited" on which we express no opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Midland, Texas
January 10, 2012

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, 2011. 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 \$110,563,583 to \$112,419,483. 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 \$44,533,594. 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 2009-2010	Governmental Activities 2010-2011	Difference
Current and Other Assets	68,381,110	72,704,305	4,323,195
Capital Assets	187,277,803	180,500,769	(6,777,034)
Total Assets	255,658,913	253,205,074	(2,453,839)
Long-term Liabilities	127,124,803	121,920,465	(5,204,338)
Other Liabilities	17,970,527	18,865,126	894,599
Total Liabilities	145,095,330	140,785,591	(4,309,739)
Invested in Capital Assets Net of Debt	60,450,469	58,781,233	(1,669,236)
Restricted	12,317,264	9,412,429	(2,904,835)
Unrestricted	37,795,850	44,225,821	6,429,971
Total Net Assets	\$ 110,563,583	\$ 112,419,483	\$ 1,855,900

Table II
Midland Independent School District

CHANGE IN NET ASSETS

	Governmental Activities 2009-2010	Governmental Activities 2010-2011	Difference
Program Revenues:			
Charges for Services	3,181,886	3,469,999	288,113
Grants and Contributions	22,993,383	20,587,485	(2,405,898)
General Revenues:			
Maintenance and Operations Taxes	103,623,309	110,490,542	6,867,233
Debt Service Taxes	11,244,541	11,142,016	(102,525)
State Aid	42,113,488	38,939,018	(3,174,470)
Other Grants Not Restricted to Specific Functions	5,618,054	8,993,143	3,375,089
Investment Earnings	145,390	115,624	(29,766)
Miscellaneous	1,657,073	1,306,939	(350,134)
Total Revenues	190,577,124	195,044,766	4,467,642
Expenses:			
Instruction, Curriculum and Media Services	115,312,897	116,223,187	910,290
Instructional and School Leadership	11,801,457	11,589,560	(211,897)
Student Support Services	15,570,633	15,857,458	286,825
Child Nutrition Services	9,391,271	10,808,928	1,417,657
Cocurricular Activities	4,191,966	4,486,619	294,653
General Administration	5,337,249	4,915,227	(422,022)
Auxiliary Services	22,900,294	22,064,480	(835,814)
Community Services	1,070,894	1,199,167	128,273
Debt Service	6,111,225	5,923,878	(187,347)
Shared Service Agreements	66,274	120,362	54,088
Total Expenditures	191,754,160	193,188,866	1,434,706
Increase (Decrease) in Net Assets	(1,177,036)	1,855,900	3,032,936
Beginning Net Assets	111,740,619	110,563,583	(1,177,036)
Ending Net Assets	\$ 110,563,583	\$ 112,419,483	\$ 1,855,900

The District's total revenues increased approximately \$4.4 million, primarily due to increased tax revenues and student enrollment. The total cost of all programs and services increased by \$1.4 million, mostly because of instructional initiatives and additional payroll costs. 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 \$48 million, up \$4.4 million from 2010 (See Exhibit C-3). The increase is primarily due to stabilization funds received by the federal government.

Included in this year's total change in fund balance is an increase of \$4.7 million in the District's General Fund. As illustrated in Exhibit J-3, this leaves the District \$4.6 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 \$38.9 million reported on Exhibit G-1 differs from the General Fund's budgetary fund balance of \$29.5 million. This is due primarily to cost savings and added revenues as described above.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets:

At the end of 2011, the District had \$180.5 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 \$6.7 million, net of accumulated depreciation, from last year.

Debt:

At year-end, the District had \$118.5 million in bonds and notes outstanding versus \$123.8 million last year (Note E). The district paid off \$5.5 million in principal of outstanding debt.

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:

- In 2006, the Texas Legislature adopted House Bill 1. HB 1 reduced the maximum rate that school districts could tax local property values. This compression reduced the amount of revenues that the district is able to generate from local sources. In order to supplement this reduction in revenue, the state set a 'target revenue' for each district in Texas based on 2005-2006 expenditures. This target revenue guarantees a certain funding level from state and local sources based on student attendance and services provided to those students. In prior years, increasing property values would generate additional revenues. Under HB 1, without future legal action from the state, there are only two ways to generate additional revenues. The first is by increasing student attendance. The second is through election by local voters to increase the maintenance and operations tax rate up to an additional thirteen pennies per \$100 valuation. In other words, even if the district receives an increase in tax revenue from an increase in property values, the district loses that amount in state aid so that the district's target revenue is not exceeded. Without additional students, voter action or legislative action, the district is capped at its target revenue. This cap will become more and more challenging for the district as inflation continues to rise. The district has received some relief from federal stimulus ARRA funds for the 2009-2010 and 2010-2011 school year but funding for ARRA has not been approved beyond 2011. The district anticipates a reduction in revenue for 2011-2012.
- Per the U.S. Department of Labor, the City of Midland had an unemployment rate of 4.5%, down from 5.6% in the prior year. The state average was 8.4%. The U.S average was 9%.
- The Cost of Living Index for Midland was 92.4% 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 20,067, an increase of approximately 419 students from the 2009-2010 school year. According to the Midland Reporter Telegram, new home permits are up 60% from the prior 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 through the 2011-2012 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, 2011

Data Control Codes	1 Primary Government	4 Component Unit
	Governmental Activities	Component Unit
ASSETS		
1110 Cash and Cash Equivalents	\$ 11,455,495	\$ 178,259
1120 Current Investments	52,104,071	272,730
1220 Property Taxes Receivable (Delinquent)	3,365,374	-
1230 Allowance for Uncollectible Taxes	(605,767)	-
1240 Due from Other Governments	2,689,727	-
1267 Due from Fiduciary Funds	1,319	-
1290 Other Receivables, net	793,330	-
1300 Inventories	2,477,549	-
1410 Deferred Expenses	307,773	-
1420 Capitalized Bond and Other Debt Issuance Costs	115,434	-
Capital Assets:		
1510 Land	9,424,361	-
1520 Buildings, Net	162,845,574	-
1530 Furniture and Equipment, Net	8,230,834	-
1000 Total Assets	<u>253,205,074</u>	<u>450,989</u>
LIABILITIES		
2110 Accounts Payable	3,161,192	-
2150 Payroll Deductions & Withholdings	2,108,640	-
2160 Accrued Wages Payable	4,112,981	-
2180 Due to Other Governments	959,720	-
2300 Deferred Revenues	1,894,987	-
2400 Accrued Expenses	6,627,606	-
Noncurrent Liabilities		
2501 Due Within One Year	5,777,149	-
2502 Due in More Than One Year	116,143,316	-
2000 Total Liabilities	<u>140,785,591</u>	<u>-</u>
NET ASSETS		
3200 Invested in Capital Assets, Net of Related Debt	58,781,233	-
Restricted for:		
3840 Restricted for Food Service	3,443,731	-
3850 Restricted for Debt Service	4,448,425	-
3890 Restricted for Other Purposes	1,520,273	-
3900 Unrestricted Net Assets	44,225,821	450,989
3000 Total Net Assets	<u>\$ 112,419,483</u>	<u>\$ 450,989</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, 2011

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	\$ 106,070,908	\$ 334,826	\$ 8,262,527	\$ 684,036
12 Instructional Resources and Media Services	2,622,734	-	133,880	-
13 Curriculum and Staff Development	7,529,545	-	4,321,808	148,039
21 Instructional Leadership	1,979,123	-	376,590	-
23 School Leadership	9,610,437	-	348,280	-
31 Guidance, Counseling and Evaluation Services	6,271,828	-	865,302	-
32 Social Work Services	148,227	-	-	-
33 Health Services	1,842,154	-	127,069	-
34 Student (Pupil) Transportation	7,595,249	-	2,896	-
35 Food Services	10,808,928	2,613,217	83,569	-
36 Extracurricular Activities	4,486,619	521,956	74,288	-
41 General Administration	4,915,227	-	1,100	-
51 Plant Maintenance and Operations	18,299,965	-	4,205,763	-
52 Security and Monitoring Services	996,205	-	-	-
53 Data Processing Services	2,768,310	-	-	-
61 Community Services	1,199,167	-	952,338	-
72 Debt Service - Interest on Long Term Debt	5,904,363	-	-	-
73 Debt Service - Bond Issuance Cost and Fees	19,515	-	-	-
93 Payments related to Shared Services Arrangements	120,362	-	-	-
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 193,188,866</u>	<u>\$ 3,469,999</u>	<u>\$ 19,755,410</u>	<u>\$ 832,075</u>
Component Unit:				
1C Nonmajor Component Unit	\$ 353,125	\$ -	\$ 449,277	\$ -
[TC] TOTAL COMPONENT UNITS:	<u>\$ 353,125</u>	<u>\$ -</u>	<u>\$ 449,277</u>	<u>\$ -</u>

Data Control Codes	General Revenues:
	Taxes:
MT	Property Taxes, Levied for General Purposes
DT	Property Taxes, Levied for Debt Service
GC	Grants and Contributions not Restricted
IE	Investment Earnings
MI	Miscellaneous Local and Intermediate Revenue
TR	Total General Revenues
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
\$ (96,789,519)	\$ -
(2,488,854)	-
(3,059,698)	-
(1,602,533)	-
(9,262,157)	-
(5,406,526)	-
(148,227)	-
(1,715,085)	-
(7,592,353)	-
(8,112,142)	-
(3,890,375)	-
(4,914,127)	-
(14,094,202)	-
(996,205)	-
(2,768,310)	-
(246,829)	-
(5,904,363)	-
(19,515)	-
(120,362)	-
(169,131,382)	-
-	96,152
-	96,152
-	-
110,490,542	-
11,142,016	-
47,932,161	-
115,624	128
1,306,939	-
170,987,282	128
1,855,900	96,280
110,563,583	354,709
\$ 112,419,483	\$ 450,989

MIDLAND INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2011

Data Control Codes	10 General Fund	National School Brkfst/Lunch	50 Debt Service Fund
ASSETS			
1110 Cash and Cash Equivalents	\$ 9,742,807	\$ 1,200	\$ -
1120 Investments - Current	33,466,883	3,645,564	4,427,387
1220 Property Taxes - Delinquent	3,056,769	-	308,605
1230 Allowance for Uncollectible Taxes (Credit)	(550,218)	-	(55,549)
1240 Receivables from Other Governments	231,576	282,989	-
1260 Due from Other Funds	2,791,431	-	-
1290 Other Receivables	793,330	-	-
1300 Inventories	1,212,500	1,265,049	-
1410 Deferred Expenditures	307,773	-	-
1000 Total Assets	\$ 51,052,851	\$ 5,194,802	\$ 4,680,443
LIABILITIES AND FUND BALANCES			
Liabilities:			
2110 Accounts Payable	\$ 1,804,715	\$ 884,479	\$ 6,515
2150 Payroll Deductions and Withholdings Payable	2,108,640	-	-
2160 Accrued Wages Payable	3,429,078	221,833	-
2170 Due to Other Funds	31,287	530,340	-
2180 Due to Other Governments	942,724	-	16,996
2300 Deferred Revenues	3,820,673	114,419	208,507
2000 Total Liabilities	12,137,117	1,751,071	232,018
Fund Balances:			
Nonspendable Fund Balance:			
3410 Inventories	1,212,500	1,265,049	-
3430 Prepaid Items	307,773	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	2,178,682	-
3470 Capital Acquisition and Contractual Obligation	-	-	-
3480 Retirement of Long-Term Debt	-	-	4,448,425
3490 Other Restricted Fund Balance	-	-	-
3600 Unassigned Fund Balance	37,395,461	-	-
3000 Total Fund Balances	38,915,734	3,443,731	4,448,425
4000 Total Liabilities and Fund Balances	\$ 51,052,851	\$ 5,194,802	\$ 4,680,443

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

60 Capital Projects	Other Funds	Total Governmental Funds
\$ -	\$ 1,552,541	\$ 11,296,548
58,349	-	41,598,183
-	-	3,365,374
-	-	(605,767)
-	2,175,162	2,689,727
-	-	2,791,431
-	-	793,330
-	-	2,477,549
-	-	307,773
<u>\$ 58,349</u>	<u>\$ 3,727,703</u>	<u>\$ 64,714,148</u>
\$ 38,494	\$ 424,252	\$ 3,158,455
-	-	2,108,640
-	462,070	4,112,981
-	1,599,341	2,160,968
-	-	959,720
-	30,484	4,174,083
<u>38,494</u>	<u>2,516,147</u>	<u>16,674,847</u>
-	-	2,477,549
-	-	307,773
-	1,115,168	3,293,850
19,855	-	19,855
-	-	4,448,425
-	96,388	96,388
-	-	37,395,461
<u>19,855</u>	<u>1,211,556</u>	<u>48,039,301</u>
<u>\$ 58,349</u>	<u>\$ 3,727,703</u>	<u>\$ 64,714,148</u>

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MIDLAND INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET ASSETS
 AUGUST 31, 2011

Total Fund Balances - Governmental Funds	\$ 48,039,301
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, 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.	3,405,348
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$279,449,112 and the accumulated depreciation was \$92,171,309. 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. (See Note II. A. for further analysis.)	60,285,049
3 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2011 capital outlays and debt principal payments is to increase net assets. (See Note II. B. for further analysis.)	7,469,437
4 The 2011 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.	(9,058,748)
5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This number represents the reclassification of the deferred tax revenue amount that has not been collected, but was earned, to actual revenue for the current year. The net effect of this reclassification is to increase net assets.	2,279,096
19 Net Assets of Governmental Activities	\$ 112,419,483

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, 2011

Data Control Codes	10 General Fund	National School Brkfst/Lunch	50 Debt Service Fund
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 112,731,650	\$ 2,622,578	\$ 11,151,185
5800 State Program Revenues	36,297,599	56,854	-
5900 Federal Program Revenues	1,727,553	7,585,386	-
5020 Total Revenues	<u>150,756,802</u>	<u>10,264,818</u>	<u>11,151,185</u>
EXPENDITURES:			
Current:			
0011 Instruction	91,613,937	-	-
0012 Instructional Resources and Media Services	2,313,019	-	-
0013 Curriculum and Instructional Staff Development	2,967,770	-	-
0021 Instructional Leadership	1,735,267	-	-
0023 School Leadership	9,007,475	-	-
0031 Guidance, Counseling and Evaluation Services	5,362,992	-	-
0032 Social Work Services	137,608	-	-
0033 Health Services	1,683,465	-	-
0034 Student (Pupil) Transportation	7,196,553	-	-
0035 Food Services	-	10,520,703	-
0036 Extracurricular Activities	3,677,273	-	-
0041 General Administration	4,873,346	-	-
0051 Facilities Maintenance and Operations	13,146,722	-	-
0052 Security and Monitoring Services	1,000,487	-	-
0053 Data Processing Services	2,784,460	-	-
0061 Community Services	237,331	-	-
Debt Service:			
0071 Principal on Long Term Debt	-	-	5,500,000
0072 Interest on Long Term Debt	-	-	5,674,341
0073 Bond Issuance Cost and Fees	-	-	2,900
Capital Outlay:			
0081 Facilities Acquisition and Construction	125,333	-	-
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	120,362	-	-
6030 Total Expenditures	<u>147,983,400</u>	<u>10,520,703</u>	<u>11,177,241</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,773,402</u>	<u>(255,885)</u>	<u>(26,056)</u>
OTHER FINANCING SOURCES (USES):			
7915 Transfers In	2,071,474	-	-
8949 Other (Uses)	(74,549)	-	-
7080 Total Other Financing Sources (Uses)	<u>1,996,925</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balances	4,770,327	(255,885)	(26,056)
0100 Fund Balance - September 1 (Beginning)	<u>34,145,407</u>	<u>3,699,616</u>	<u>4,474,481</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 38,915,734</u>	<u>\$ 3,443,731</u>	<u>\$ 4,448,425</u>

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

	60 Capital Projects	Other Funds	Total Governmental Funds
\$	546	\$ 77,227	\$ 126,583,186
	-	2,600,055	38,954,508
	-	20,156,206	29,469,145
	<u>546</u>	<u>22,833,488</u>	<u>195,006,839</u>
	-	8,946,563	100,560,500
	-	133,880	2,446,899
	-	4,469,847	7,437,617
	-	376,590	2,111,857
	-	348,280	9,355,755
	-	865,302	6,228,294
	-	-	137,608
	-	127,069	1,810,534
	-	2,896	7,199,449
	-	83,569	10,604,272
	-	74,288	3,751,561
	-	1,100	4,874,446
	-	4,205,763	17,352,485
	-	-	1,000,487
	-	-	2,784,460
	-	952,338	1,189,669
	-	-	5,500,000
	-	-	5,674,341
	-	-	2,900
	260,469	-	385,802
	-	-	120,362
	<u>260,469</u>	<u>20,587,485</u>	<u>190,529,298</u>
	<u>(259,923)</u>	<u>2,246,003</u>	<u>4,477,541</u>
	-	74,549	2,146,023
	-	(2,071,474)	(2,146,023)
	-	(1,996,925)	-
	<u>(259,923)</u>	<u>249,078</u>	<u>4,477,541</u>
	<u>279,778</u>	<u>962,478</u>	<u>43,561,760</u>
\$	<u>19,855</u>	\$ <u>1,211,556</u>	\$ <u>48,039,301</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, 2011

Total Net Change in Fund Balances - Governmental Funds	\$	4,477,541
The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net loss of internal service funds are reported with governmental activities. The net effect of this consolidation is to decrease net assets.		(1,070,257)
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 2011 capital outlays and debt principal payments is to increase net assets. (see Note II. B. for further analysis.)		7,469,437
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.		(9,058,748)
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. (See Note II. B. for further analysis.)		37,927
Change in Net Assets of Governmental Activities	\$	1,855,900

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, 2011

Data Control Codes		Internal Service Fund
ASSETS		
Current Assets:		
1110	Cash and Cash Equivalents	\$ 158,947
1120	Investments - Current	10,505,888
1260	Due from Other Funds	<u>3,106</u>
1000	Total Assets	<u>10,667,941</u>
LIABILITIES		
Current Liabilities:		
2110	Accounts Payable	2,737
2170	Due to Other Funds	632,250
2400	Accrued Expenses	<u>6,627,606</u>
2000	Total Liabilities	<u>7,262,593</u>
NET ASSETS		
3300	Unrestricted Net Assets	<u>3,405,348</u>
3000	Total Net Assets	<u>\$ 3,405,348</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, 2011

Data Control Codes		Internal Service Fund
	OPERATING REVENUES	
5700	Local and Intermediate Sources	<u>\$ 15,613,691</u>
5020	Total Operating Revenues	<u>15,613,691</u>
	OPERATING EXPENSES:	
6100	Payroll Costs	153,018
6300	Supplies and Materials	13,953
6400	Other Operating Costs	<u>16,536,020</u>
	Total Operating Expenses	<u>16,702,991</u>
	Operating Loss	(1,089,300)
	NONOPERATING REVENUE (EXPENSES):	
7955	Earnings from Investments	<u>19,043</u>
	Change in Net Assets	(1,070,257)
0100	Total Net Assets - September 1 (Beginning)	<u>4,475,605</u>
3000	Total Net Assets - August 31 (Ending)	<u><u>\$ 3,405,348</u></u>

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

MIDLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2011

	Internal Service Fund
Cash Flow from Operating Activities:	
Cash Receipts from Quasi-external Operating Activities with Other Funds	\$ 28,669,796
Cash Payments to Suppliers for Goods and Benefits	<u>(29,721,720)</u>
Net Cash Used For Operating Activities	<u>(1,051,924)</u>
Cash Flows from Investing Activities:	
Interest on Investments	<u>19,043</u>
Net Decrease in Cash and Investments	(1,032,881)
Cash and Investments at the Beginning of Year	<u>11,697,716</u>
Cash and Investments at the End of the Year	<u><u>\$ 10,664,835</u></u>
<u>Reconciliation of Operating Loss to Net Cash</u>	
<u>Used For Operating Activities:</u>	
Operating Loss	\$ (1,089,300)
Effect of Increases and Decreases in Current Assets and Liabilities	
Decrease in Receivables	11,607
Decrease in Accounts Payable	(481)
Decrease in Due to Other Funds	(1,147,910)
Increase in Payable from Restricted Assets	<u>1,174,160</u>
Net Cash Used For Operating Activities	<u><u>\$ (1,051,924)</u></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, 2011

Data Control Codes		Private Purpose Trust Funds	Employee Benefits Trust Fund	Student Activity Fund
	ASSETS			
1110	Cash and Cash Equivalents	\$ 104,806	\$ 378,444	\$ 690,667
1120	Investments - Current	702,320	468,390	-
1260	Due From Other Funds	-	31,287	-
1290	Other Receivables	-	414,932	-
1000	Total Assets	<u>\$ 807,126</u>	<u>\$ 1,293,053</u>	<u>\$ 690,667</u>
	LIABILITIES			
2110	Accounts Payable	\$ -	\$ 836,794	\$ 9,332
2170	Due to Other Funds	22,566	10,039	-
2400	Payable from Restricted Assets	784,560	446,220	-
2420	Due to Student Groups	-	-	681,335
2420	Due to Employees	-	-	-
2000	Total Liabilities	<u>\$ 807,126</u>	<u>\$ 1,293,053</u>	<u>\$ 690,667</u>
	NET ASSETS			
	Unrestricted Net Assets	\$ -		
3000	Total Net Assets	<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
AUGUST 31, 2011

Data Control Codes		Beginning Balance	Additions	Deletions	Ending Balance
PRIVATE PURPOSE TRUST FUNDS					
1110	Cash and Cash Equivalents	\$ 127,364	\$ 1,020	\$ 23,578	\$ 104,806
1120	Investments - Current	681,418	523,644	502,742	702,320
1290	Other Receivables	-	-	-	-
1000	Total Assets	<u>\$ 808,782</u>	<u>\$ 524,664</u>	<u>\$ 526,320</u>	<u>\$ 807,126</u>
2170	Due to Other Funds	\$ 22,566	\$ -	\$ -	\$ 22,566
2400	Payable from Restricted Assets	786,216	524,664	526,320	784,560
2000	Total Liabilities	<u>\$ 808,782</u>	<u>\$ 524,664</u>	<u>\$ 526,320</u>	<u>\$ 807,126</u>
EMPLOYEE BENEFITS TRUST FUND					
1110	Cash and Cash Equivalents	\$ 297,502	\$ 90,926	\$ 9,984	\$ 378,444
1120	Investments - Current	467,744	646	-	468,390
1260	Due from Other Funds	56,287	120	25,120	31,287
1290	Other Receivables	514,778	50,154	150,000	414,932
1000	Total Assets	<u>\$ 1,336,311</u>	<u>\$ 141,846</u>	<u>\$ 185,104</u>	<u>\$ 1,293,053</u>
2110	Accounts Payable	\$ 765,246	\$ 81,532	\$ 9,984	\$ 836,794
2170	Due to Other Funds	-	10,039	-	10,039
2400	Payable from Restricted Assets	571,065	50,275	175,120	446,220
2000	Total Liabilities	<u>\$ 1,336,311</u>	<u>\$ 141,846</u>	<u>\$ 185,104</u>	<u>\$ 1,293,053</u>
STUDENT ACTIVITY FUNDS					
1110	Cash and Cash Equivalents	\$ 626,007	\$ 1,811,743	\$ 1,747,083	\$ 690,667
1000	Total Assets	<u>\$ 626,007</u>	<u>\$ 1,811,743</u>	<u>\$ 1,747,083</u>	<u>\$ 690,667</u>
2110	Accounts Payable	\$ 9,210	\$ 16,517	\$ 16,395	\$ 9,332
2420	Due to Student Groups	616,797	1,795,226	1,730,688	681,335
2000	Total Liabilities	<u>\$ 626,007</u>	<u>\$ 1,811,743</u>	<u>\$ 1,747,083</u>	<u>\$ 690,667</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, 2011

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, 2011, the rates were \$1.04005 for maintenance and \$.105 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. The property tax receivable allowance is equal to 19.0 percent of the outstanding property taxes at August 31, 2011.

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.

Vacation and Sick Leave - 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, 2011, the District's liability for unused sick leave is \$3,347,190.

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.

Resitricated 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

During the year ended August 31, 2011 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, 2011 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 the 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 PIEMS 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, 2011.

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	\$ 9,298,831	\$ -----	\$ 9,298,831	
Buildings & Improvements	243,777,330	(75,378,789)	168,398,541	
Furniture & Equipment	26,372,951	(16,792,520)	9,580,431	
Capitalized Bond and Other Debt Issuance Costs	132,049	-----	132,049	
Net Change in Assets				\$ 187,409,852
Long-term Liabilities at the Beginning of Year	Beginning Payables			
Bonds Payable (net of accretion and amortized premium)	(123,843,253)			
Other Payables	(3,281,550)			
Net Change in Assets				(127,124,803)
Total Adjustment to Net Assets				\$ 60,285,049

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 - Furniture & Equipment	\$ (2,112,812)
Additions - Buildings & Improvements	(43,372)
Additions - Land	(125,530)
Amortization of Debt Issuance Costs	16,615
Compensated Absence - Addition	65,640
Bond Principal Issue net of Payments	(5,269,978)
Total Adjustment to Net Assets	\$ (7,469,437)

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	\$ 46,715
Adjustments to Taxes - Debt Service Levy	(8,788)
Total Adjustments to Beginning Net Assets	\$ 37,927

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, 2011, 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 \$14,634,939 and occurred on August 31, 2011.
3. Largest combined collected cash account balance required to be collateralized amounted to \$14,219,254 and occurred on August 31, 2011.
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 2010-2011 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 Rule2a7 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.

Cash and investments as of August 31, 2011 are classified in the accompanying financial statements as follows:

Governmental funds	\$	52,894,731
Proprietary funds		10,664,835
Fiduciary funds		2,344,627
Component Unit		450,989
	\$	<u>66,355,182</u>

The investments held at August 31, 2011 are as follows:

	Fair Value	Rating	WAM (1)	WAM (2)
Cash and Imprest Funds	\$ 12,867,213	Aa3 per Moody’s	N/A	N/A
Texpool	8,626,543	AAAm per Standard and Poors	46 Days	22 Days
Texpool Prime	3,480,769	AAAm per Standard and Poors	31 Days	34 Days
Lone Star/First Public	12,011,850	AAAm per Standard and Poors	38 Days	147Days
Texas Class	24,362,770	AAAm per Standard and Poors	40 Days	53Days
JP Morgan Chase	<u>5,006,037</u>	AA- per Standard and Poors	N/A	N/A
	\$ <u>66,355,182</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, 2011, 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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,287	\$ 31,287
Due From Special Revenue Funds	2,126,575	-	-	-	3,106	-	2,129,681
Due From Debt Service Funds	-	-	-	-	-	-	-
Due From Capital Projects Fund	-	-	-	-	-	-	-
Due From Enterprise Funds	-	-	-	-	-	-	-
Due From Internal Service Funds	632,250	-	-	-	-	-	632,250
Due From Trust & Agency Funds	32,606	-	-	-	-	-	32,606
Total Due From	\$ 2,791,431	\$ -	\$ -	\$ -	\$ 3,106	\$ 31,287	\$2,825,824
Due To General Fund	\$ -	\$2,126,575	\$ -	\$ -	\$ 632,250	\$ 32,606	\$2,791,431
Due To Special Revenue Funds	-	-	-	-	-	-	-
Due To Debt Service Fund	-	-	-	-	-	-	-
Due To Enterprise Funds	-	-	-	-	-	-	-
Due To Capital Projects Fund	-	-	-	-	-	-	-
Due To Internal Service Funds	-	3,106	-	-	-	-	3,106
Due To Trust & Agency Funds	31,287	-	-	-	-	-	31,287
Total Due To	\$ 31,287	\$2,129,681	\$ -	\$ -	\$ 632,250	\$ 32,606	\$2,825,824

Interfund transfers for the year ended August 31, 2011 consisted of operation funds transferred to fund the Storytelling Project and Title XIV for utilities reimbursement. These transfers are reflected in the following amounts:

Transfers Out		Totals
General Fund		
Storytelling Fund	\$ 74,549	
Sub Total - General Fund		\$ 74,549
Special Revenue Funds		
Title XIV, State Fiscal Stabilization ARRA	\$2,071,474	
Sub Total - Special Revenue Funds		\$2,071,474
Total - Transfers Out		\$2,146,023
Transfers In		Totals
General Fund		
Title XIV, State Fiscal Stabilization ARRA	\$2,071,474	
Sub Total - General Fund		\$2,071,474
Special Revenue Funds		
Storytelling Fund	\$ 74,549	
Sub Total - Special Revenue Funds		\$ 74,549
Total - Transfers In		\$2,146,023

D. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended August 31, 2011, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Land	\$ 9,298,831	\$ 125,530	\$ -----	\$ 9,424,361
Buildings and Improvements	243,777,330	43,372	(6,790)	243,813,912
Construction in Progress	-----	-----	-----	-----
Furniture and Equipment	26,372,951	2,112,812	(106,008)	28,379,755
Leased Property Under Capital Leases	-----	-----	-----	-----
Totals at Historic Cost	279,449,112	2,281,714	(112,798)	281,618,028
Less Accumulated Depreciation:		Current Depreciation	Retired Depreciation	
Buildings and Improvements	(75,378,789)	(5,596,339)	6,790	(80,968,338)
Furniture and Equipment	(16,792,520)	(3,462,409)	106,008	(20,148,921)
Leased Property Under Capital Leases	-----	-----	-----	-----
Total Accumulated Depreciation	(92,171,309)	(9,058,748)	112,798	(101,117,259)
Governmental Activities Capital Assets, Net	\$187,277,803	\$ (6,777,034)	\$ -----	\$180,500,769

Depreciation expense was charged to governmental functions as follows:	Amount
Instruction	\$ (5,616,614)
Instructional Resources and Media Services	(167,671)
Curriculum and Instructional Staff Development	(74,631)
Instructional Leadership	(5,863)
School Leadership	(193,097)
Guidance, Counseling and Evaluation Services	(8,686)
Social Work Services	(9,883)
Health Services	(18,376)
Student (Pupil) Transportation	(745,269)
Food Services	(209,468)
Extracurricular Activities	(764,816)
General Administration	(22,578)
Plant Maintenance and Operations	(1,142,017)
Security and Monitoring Service	(49,678)
Data Processing Services	(30,101)
Total Adjustment to Net Assets (See C-2 and C-4)	\$ (9,058,748)

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.

A summary of changes in bond liability for the year ended August 31, 2011 is as follows:

Date of Issue	Series	Interest Rate	Amount of Original Issue	Amount o/s 8/31/2010	Issued	Accretion/ Amortization	Retired Current Year	Amount o/s 8/31/2011
7/2/01	1997	3.5-4.625%	6,055,000	920,000	-----	-----	-----	920,000
5/20/03	2003 ⁽¹⁾	2.75%	2,470,000	2,470,000	-----	-----	-----	2,470,000
5/20/03	2003	4.0-5.25%	53,095,000	42,755,000	-----	-----	2,885,000	39,870,000
6/20/04	2004	4.28-4.51%	2,555,000	2,177,059	-----	96,610	-----	2,273,669
6/26/04	2004	5.00%	25,285,000	24,775,000	-----	-----	110,000	24,665,000
6/26/06	2006	4-4.5%	13,655,000	11,495,000	-----	-----	915,000	10,580,000
6/26/06	2006	4.14%	1,110,000	910,802	-----	134,879	-----	1,045,681
7/10/07	2007	4.25-5.0%	37,035,000	35,098,807	-----	(11,827)	-----	35,086,980
6/06/09	2009	2.5-4.0%	3,415,000	1,957,694	-----	-----	1,590,000	367,694
6/06/09	2009	1.30%	1,340,000	1,283,891	-----	10,360	-----	1,294,251
Total				\$ 123,843,253	\$ -----	\$ 230,022	\$ 5,500,000	\$ 118,573,275

(1) Capital Appreciation Bonds

Debt service requirements are as follows:

Year	Principal	Interest	Total
2012	\$5,777,149	\$5,499,065	\$11,276,214
2013	\$3,790,832	\$5,534,689	9,325,521
2014	\$3,896,618	\$5,435,303	9,331,921
2015	\$4,170,912	\$5,156,811	9,327,723
2016	\$4,689,571	\$4,637,063	9,326,634
2017-2021	\$26,194,481	\$20,468,198	46,662,679
2022-2026	\$30,729,134	\$13,713,310	44,442,444
2027-2031	\$33,044,134	\$5,612,156	38,656,290
2032	\$6,280,444	\$156,875	6,437,319
Total	\$118,573,275	\$66,213,470	\$184,786,745

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 \$28,000,000.

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.

X On April 1, 1997 the District issued \$20,000,000 of bonds to be used for the construction, renovation and equipping of school facilities and to pay \$139,994, the costs of issuance of the bonds. The bonds are payable from a continuing direct annual ad valorem tax levied by the District, without limits as to rate or amount, on all taxable property within the District. On April 1, 1999, \$9,855,000 of the bonds were converted to fixed rate bonds. On May 1, 2009, \$3,450,000 of the 1997A bonds were defeased through the 2009 series unlimited tax refundings. On July 2, 2001, \$6,055,000 of the bonds were converted to fixed rate bonds. These are indicated on the schedule as the 1997 series.

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, 2011.

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, 2011 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, 2011, the District's liability for unused sick leave is \$3,347,190.

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 77001, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

Funding Policy. State law provides for fiscal years 2009, 2010, and 2011 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, 2009, 2010 and 2011 were \$5,411,086, \$5,662,098, and \$5,596,331 respectively. Midland Independent School District paid additional state contributions for the years ended August 31, 2009, 2010, and 2011 in the amount of \$2,418,729, \$2,403,213, and \$2,775,352, respectively, on the portion of the employees' salaries that exceeded the statutory minimum.

The Medicare Prescription Drug, Improvement, and Modernization act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care receives retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended August 31, 2011 and 2010, the subsidy payments received by TRS-Care on behalf of the District were \$412,161 and \$447,054, 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, 2011, 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, 2011, 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, 2010</u>	<u>Year Ended</u> <u>August 31, 2010</u>
Unpaid claims, beginning of the year	\$ 4,918,945	\$ 2,933,391
Incurred claims/changes in estimates (including IBNR'S)	11,556,598	12,290,997
Claim Payments	<u>(13,542,152)</u>	<u>(12,457,811)</u>
Unpaid claims, end of fiscal year	<u>\$ 2,933,391</u>	<u>\$ 2,766,577</u>

I. CHANGES IN NONCURRENT LIABILITIES

Long-term activity for the year ended August 31, 2011, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Bonds and Notes Payable	\$ 5,410,252	\$ 366,897	\$ —	\$ 5,777,149
Compensated Absences	239,017	—	(239,017)	—
Total Noncurrent Liabilities Due Within One Year	\$ 5,649,269	\$ 366,897	\$ (239,017)	\$ 5,777,149
	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Bonds and Notes Payable	\$ 118,433,001	\$ —	\$ (5,636,875)	\$ 112,796,126
Compensated Absences	3,042,533	304,657	—	3,347,190
Total Noncurrent Liabilities Due In More Than One Year	\$ 121,475,534	\$ 304,657	\$ (5,636,875)	\$ 116,143,316
	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Bonds and Notes Payable	\$ 123,843,253	\$ 366,897	\$ (5,636,875)	\$ 118,575,275
Compensated Absences	3,281,550	304,657	(239,017)	3,347,190
Total Noncurrent Liabilities	\$ 127,124,803	\$ 671,554	\$ (5,875,892)	\$ 121,920,465

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, 2011. The future minimum lease payments for these leases are as follows:

Year Ending August 31,	
2012	378,900
2013	<u>378,900</u>
 Total	 <u>\$ 757,800</u>

K. DEFERRED REVENUE

Deferred revenue at August 31, 2011 consisted of the following:

	General Fund	Special Revenue Funds	Debt Service Fund	Total
Net Tax Revenue	\$ 2,070,589	\$ -----	\$ 208,507	\$ 2,279,096
Gate Receipts	142,930	-----	-----	142,930
Reserve for Litigation	1,602,614	-----	-----	1,602,614
F/S Commodities	-----	114,419	-----	114,419
Advanced Placement	-----	30,484	-----	30,484
Miscellaneous	4,540	-----	-----	4,540
Total	\$ 3,820,673	\$ 144,903	\$ 208,507	\$ 4,174,083

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, 2011, 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	\$231,576
National School Brkfst/Lunch	282,989
Summer Feeding Program	52,486
Head Start	185,519
ESEA Title I, A - Impoving Basic Programs	289,813
ESEA Title I, Part C – Migrant	11,880
ESEA, Title I, Part B, Even Start	14,312
IDEA-Part B, Formula	346,240
IDEA-Part B, Preschool	26,934
Career and Technical - Basic Grant	470
ESEA Title II, Part A - Teacher Principal Training	54,065
Title III, Part A - English Language Acquisition	18,053
Title XIV, State Stabilization - ARRA	566,858
Title II, Part D – ARRA – Ed. Technology	2,056
ARRA – Texas Homeless Ed.	1,931
ARRA - Idea B Formula	45,616
ARRA - Title I, Part A	449,473
Title I, SIP (Travis)	1,361
Texas After School Initiative	26,008
Investment Capital Funds	3,137
Life Skills Program for Students Parents Grants	171
Investment Capital Funds	3,505
Student Success Initiative Grant	49,309
Kindergarten and Pre K Grants	4,819
District Award for Teachers	20,930
Read to Succeed	32
Texas Fitness Now Grant	184
Total	\$2,689,727

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	\$ 110,488,503	\$ -	\$11,142,016	\$ -	\$121,630,519
Penalties, Interest and Other Tax-related Inc.	1,336,529				1,336,529
Investment Income	79,825	7,041	9,169	546	96,581
Food Sales	-	2,613,217	-	-	2,613,217
Co-Curricular/Extra-curricular Student Act.	-	-	-	-	-
Other	826,793	79,547	-		906,340
Total	\$ 112,731,650	\$2,699,805	\$11,151,185	\$ 546	\$126,583,186

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, 2011.

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, 2011 the District had completed all its major construction projects with monies in the Capital Projects Fund. The Capital Projects Fund has a remaining balance of \$19,855. These funds will be expended on projects that meet the covenants of the bond order.

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 2010-11 \$9,237,891
- b) Subtract any non-medical expenditures Life Insurance (29,115)
- c) 2010-11 Maintenance of Effort \$9,208,776

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, 2011, 1,421 employees participated in the plan and the District contributed \$1,790,038.

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, 2011, the accrued liabilities for worker's compensation self-insurance of \$3,861,029 includes estimated incurred but not reported claims.

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

Fiscal Year	Claims
2002	314
2003	298
2004	291
2005	287
2006	290
2007	196
2008	118
2009	123
2010	110
2011	24
10 Year Average	205

Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
2010	2,725,591	30,879	236,416	2,520,054
2011	2,520,054	1,604,881	263,906	3,861,029

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 2011, 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, 2011.

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REQUIRED SUPPLEMENTARY INFORMATION

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MIDLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2011

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	\$ 108,129,716	\$ 112,305,586	\$ 112,731,650	\$ 426,064
5800 State Program Revenues	36,590,449	34,682,286	36,297,599	1,615,313
5900 Federal Program Revenues	6,427,900	1,517,708	1,727,553	209,845
5020 Total Revenues	<u>151,148,065</u>	<u>148,505,580</u>	<u>150,756,802</u>	<u>2,251,222</u>
EXPENDITURES:				
Current:				
0011 Instruction	90,061,479	92,022,571	91,613,937	408,634
0012 Instructional Resources and Media Services	2,349,447	2,390,480	2,313,019	77,461
0013 Curriculum and Instructional Staff Development	3,343,383	3,331,601	2,967,770	363,831
0021 Instructional Leadership	1,287,525	1,834,906	1,735,267	99,639
0023 School Leadership	9,426,344	9,213,085	9,007,475	205,610
0031 Guidance, Counseling and Evaluation Services	5,057,076	5,358,161	5,362,992	(4,831)
0032 Social Work Services	276,533	186,780	137,608	49,172
0033 Health Services	1,691,808	1,717,263	1,683,465	33,798
0034 Student (Pupil) Transportation	7,540,080	7,719,520	7,196,553	522,967
0036 Extracurricular Activities	3,558,970	3,782,216	3,677,273	104,943
0041 General Administration	5,409,629	5,297,505	4,873,346	424,159
0051 Facilities Maintenance and Operations	17,187,159	14,629,811	13,146,722	1,483,089
0052 Security and Monitoring Services	978,975	1,064,095	1,000,487	63,608
0053 Data Processing Services	2,792,055	3,061,500	2,784,460	277,040
0061 Community Services	187,602	258,561	237,331	21,230
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	1,030,000	125,333	904,667
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	142,000	120,362	21,638
6030 Total Expenditures	<u>151,148,065</u>	<u>153,040,055</u>	<u>147,983,400</u>	<u>5,056,655</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(4,534,475)	2,773,402	7,307,877
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	2,071,474	2,071,474
8949 Other (Uses)	-	(26,050)	(74,549)	(48,499)
7080 Total Other Financing Sources (Uses)	-	(26,050)	1,996,925	2,022,975
1200 Net Change in Fund Balances	-	(4,560,525)	4,770,327	9,330,852
0100 Fund Balance - September 1 (Beginning)	-	34,145,407	34,145,407	-
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ 29,584,882</u>	<u>\$ 38,915,734</u>	<u>\$ 9,330,852</u>

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OTHER SUPPLEMENTARY INFORMATION

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1. The first part of the document discusses the importance of maintaining accurate records of all transactions and activities. It emphasizes that this is crucial for ensuring transparency and accountability in the organization's operations.

2. The second part of the document outlines the various methods and tools used to collect and analyze data. It highlights the need for consistent data collection procedures and the use of advanced analytical techniques to derive meaningful insights from the data.

3. The third part of the document focuses on the integration of data from different sources and the challenges associated with this process. It discusses the importance of data quality and the need for robust data integration strategies to ensure the accuracy and reliability of the information used for decision-making.

COMBINING SCHEDULES

4. The fourth part of the document provides a detailed overview of the process of combining schedules from different departments or projects. It explains how to identify overlapping tasks and resources, and how to adjust the schedules to optimize the overall project timeline and resource allocation.

5. The fifth part of the document discusses the impact of combining schedules on the organization's performance and the need for ongoing monitoring and adjustment. It emphasizes that combining schedules is not a one-time task but a continuous process that requires regular communication and collaboration between all stakeholders involved in the project.

MIDLAND INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NON MAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2011

Data Control Codes	201 Improvement Postsecondary Education	205 Head Start	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	
ASSETS					
1110	Cash and Cash Equivalents	\$ 2,062	\$ 1,487	\$ 133,559	\$ -
1240	Receivables from Other Governments	-	185,519	289,813	11,880
1000	Total Assets	<u>\$ 2,062</u>	<u>\$ 187,006</u>	<u>\$ 423,372</u>	<u>\$ 11,880</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ -	\$ 5,774	\$ 21,739	\$ -
2160	Accrued Wages Payable	-	131,007	87,967	7,239
2170	Due to Other Funds	2,062	50,225	313,666	4,641
2300	Deferred Revenues	-	-	-	-
2000	Total Liabilities	<u>2,062</u>	<u>187,006</u>	<u>423,372</u>	<u>11,880</u>
Fund Balances:					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
3490	Other Restricted Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 2,062</u>	<u>\$ 187,006</u>	<u>\$ 423,372</u>	<u>\$ 11,880</u>

EXHIBIT H-1 (Cont'd)

213 ESEA Title I Part B Even Start	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	242 Summer Feeding Program	244 Career and Tech Basic Grant	255 ESEA II, A Training and Recruiting	259 Library Supplement	263 Title III, A English Lang. Acquisition
\$ 3,297	\$ 18,756	\$ -	\$ 771,638	\$ 1,624	\$ 3,980	\$ -	\$ 526
14,312	346,240	26,934	52,486	470	54,065	-	18,053
<u>\$ 17,609</u>	<u>\$ 364,996</u>	<u>\$ 26,934</u>	<u>\$ 824,124</u>	<u>\$ 2,094</u>	<u>\$ 58,045</u>	<u>\$ -</u>	<u>\$ 18,579</u>
\$ 116	\$ 93,237	\$ -	\$ -	\$ -	\$ 21,439	\$ -	\$ -
13,607	176,465	4,532	-	470	-	-	-
3,886	95,294	22,402	6,350	1,624	36,606	-	18,579
-	-	-	-	-	-	-	-
<u>17,609</u>	<u>364,996</u>	<u>26,934</u>	<u>6,350</u>	<u>2,094</u>	<u>58,045</u>	<u>-</u>	<u>18,579</u>
-	-	-	817,774	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	817,774	-	-	-	-
<u>\$ 17,609</u>	<u>\$ 364,996</u>	<u>\$ 26,934</u>	<u>\$ 824,124</u>	<u>\$ 2,094</u>	<u>\$ 58,045</u>	<u>\$ -</u>	<u>\$ 18,579</u>

MIDLAND INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NON MAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2011

Data Control Codes	266 Title XIV ARRA State Stabilization	279 Title II, D ARRA - Ed. Technology	280 ARRA Texas Homeless Ed.	289 Summer School LEP
ASSETS				
1110 Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1240 Receivables from Other Governments	566,858	2,056	1,931	-
1000 Total Assets	<u>\$ 566,858</u>	<u>\$ 2,056</u>	<u>\$ 1,931</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
2110 Accounts Payable	\$ -	\$ 42	\$ 557	\$ -
2160 Accrued Wages Payable	-	-	151	-
2170 Due to Other Funds	566,858	2,014	1,223	-
2300 Deferred Revenues	-	-	-	-
2000 Total Liabilities	<u>566,858</u>	<u>2,056</u>	<u>1,931</u>	<u>-</u>
Fund Balances:				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	-	-
3490 Other Restricted Fund Balance	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 566,858</u>	<u>\$ 2,056</u>	<u>\$ 1,931</u>	<u>\$ -</u>

EXHIBITH-1 (Cont'd)

290	293	294	295	296	384	392	394
ARRA Head Start	ARRA IDEA B Formula	ARRA IDEA B Preschool	ARRA Title I, Part A	Title I SIP	Texas High School Initiative	Investment Capital Funds	Life Skills Program
\$ -	\$ 165,584	\$ 1,315	\$ -	\$ -	\$ -	\$ -	\$ -
-	45,616	-	449,473	1,361	26,008	3,137	171
<u>\$ -</u>	<u>\$ 211,200</u>	<u>\$ 1,315</u>	<u>\$ 449,473</u>	<u>\$ 1,361</u>	<u>\$ 26,008</u>	<u>\$ 3,137</u>	<u>\$ 171</u>
\$ -	\$ 18,180	\$ -	\$ 242,070	\$ -	\$ 902	\$ 743	\$ -
-	22,702	-	13,983	-	-	-	-
-	170,318	1,315	193,420	1,361	25,106	2,394	171
-	-	-	-	-	-	-	-
<u>-</u>	<u>211,200</u>	<u>1,315</u>	<u>449,473</u>	<u>1,361</u>	<u>26,008</u>	<u>3,137</u>	<u>171</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 211,200</u>	<u>\$ 1,315</u>	<u>\$ 449,473</u>	<u>\$ 1,361</u>	<u>\$ 26,008</u>	<u>\$ 3,137</u>	<u>\$ 171</u>

MIDLAND INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2011

Data Control Codes	396 Advance Placement/ Testing	399 Investment Capital Funds	401 Optional Extended Year Program	410 State Textbook Fund
ASSETS				
1110	\$ 30,977	\$ 2,366	\$ -	\$ -
1240	-	3,505	-	-
1000	<u>\$ 30,977</u>	<u>\$ 5,871</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
2110	\$ 252	\$ 3,505	\$ -	\$ -
2160	-	-	-	-
2170	241	2,366	-	-
2300	30,484	-	-	-
2000	<u>30,977</u>	<u>5,871</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Restricted Fund Balance:				
3450	-	-	-	-
3490	-	-	-	-
3000	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	<u>\$ 30,977</u>	<u>\$ 5,871</u>	<u>\$ -</u>	<u>\$ -</u>

411 Technology Allotment	414 Student Success Initiative	415 Kindergarten and Pre-K Grants	424 District Award for Teachers	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
\$ 297,394	\$ 9,553	\$ 6,383	\$ -	\$ 102,040	\$ 1,552,541
-	49,309	4,819	20,930	216	2,175,162
<u>\$ 297,394</u>	<u>\$ 58,862</u>	<u>\$ 11,202</u>	<u>\$ 20,930</u>	<u>\$ 102,256</u>	<u>\$ 3,727,703</u>
\$ -	\$ 13,831	\$ -	\$ -	\$ 1,865	\$ 424,252
-	-	-	-	3,947	462,070
-	45,031	11,202	20,930	56	1,599,341
-	-	-	-	-	30,484
<u>-</u>	<u>58,862</u>	<u>11,202</u>	<u>20,930</u>	<u>5,868</u>	<u>2,516,147</u>
297,394	-	-	-	-	1,115,168
-	-	-	-	96,388	96,388
<u>297,394</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>96,388</u>	<u>1,211,556</u>
<u>\$ 297,394</u>	<u>\$ 58,862</u>	<u>\$ 11,202</u>	<u>\$ 20,930</u>	<u>\$ 102,256</u>	<u>\$ 3,727,703</u>

MIDLAND INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	201 Improvement Postsecondary Education	205 Head Start	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	348,996	2,068,015	4,079,213	108,464
5020 Total Revenues	<u>348,996</u>	<u>2,068,015</u>	<u>4,079,213</u>	<u>108,464</u>
EXPENDITURES:				
Current:				
0011 Instruction	43,567	1,301,111	3,075,089	64,958
0012 Instructional Resources and Media Services	-	57,178	76,257	-
0013 Curriculum and Instructional Staff Development	305,429	16,516	520,884	1,427
0021 Instructional Leadership	-	9,704	162,038	11,580
0023 School Leadership	-	186,560	63,596	-
0031 Guidance, Counseling and Evaluation Services	-	81,578	-	-
0033 Health Services	-	110,761	-	-
0034 Student (Pupil) Transportation	-	2,896	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	1,100	-	-
0051 Facilities Maintenance and Operations	-	12,095	-	-
0061 Community Services	-	288,516	181,349	30,499
6030 Total Expenditures	<u>348,996</u>	<u>2,068,015</u>	<u>4,079,213</u>	<u>108,464</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
8949 Other (Uses)	-	-	-	-
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>

213 ESEA Title I Part B Even Start	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	242 Summer Feeding Program	244 Career and Tech Basic Grant	255 ESEA II, A Training and Recruiting	259 Library Supplement	263 Title III, A English Lang. Acquisition
\$ -	\$ -	\$ -	\$ 118	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
207,432	3,174,571	70,323	139,814	165,178	1,067,732	357	134,938
<u>207,432</u>	<u>3,174,571</u>	<u>70,323</u>	<u>139,932</u>	<u>165,178</u>	<u>1,067,732</u>	<u>357</u>	<u>134,938</u>
447	1,902,279	70,323	-	147,081	6,794	-	67,376
-	-	-	-	-	-	357	-
-	321,293	-	-	5,718	1,011,250	-	62,533
-	126,935	-	-	10,787	24,809	-	4,159
-	3,499	-	-	-	24,879	-	-
-	782,132	-	-	1,592	-	-	-
-	10,129	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	83,569	-	-	-	-
-	28,304	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
206,985	-	-	-	-	-	-	870
<u>207,432</u>	<u>3,174,571</u>	<u>70,323</u>	<u>83,569</u>	<u>165,178</u>	<u>1,067,732</u>	<u>357</u>	<u>134,938</u>
-	-	-	56,363	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	56,363	-	-	-	-
-	-	-	761,411	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 817,774</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, 2011

Data Control Codes	266 Title XIV ARRA State Stabilization	279 Title II, D ARRA - Ed. Technology	280 ARRA Texas Homeless Ed.	289 Summer School LEP
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	<u>6,265,142</u>	<u>2,013</u>	<u>49,457</u>	<u>6,446</u>
5020 Total Revenues	<u>6,265,142</u>	<u>2,013</u>	<u>49,457</u>	<u>6,446</u>
EXPENDITURES:				
Current:				
0011 Instruction	-	752	-	6,446
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	-	-
0021 Instructional Leadership	-	42	-	-
0023 School Leadership	-	-	-	-
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	4,193,668	-	-	-
0061 Community Services	-	1,219	49,457	-
6030 Total Expenditures	<u>4,193,668</u>	<u>2,013</u>	<u>49,457</u>	<u>6,446</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,071,474</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
8949 Other (Uses)	<u>(2,071,474)</u>	<u>-</u>	<u>-</u>	<u>-</u>
7080 Total Other Financing Sources (Uses)	<u>(2,071,474)</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>

290	293	294	295	296	384	392	394
ARRA Head Start	ARRA IDEA B Formula	ARRA IDEA B Preschool	ARRA Title I, Part A	Title I SIP	Texas High School Initiative	Investment Capital Funds	Life Skills Program
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	105,502	46,289	75,438
48,135	759,761	58,691	1,349,457	52,071	-	-	-
<u>48,135</u>	<u>759,761</u>	<u>58,691</u>	<u>1,349,457</u>	<u>52,071</u>	<u>105,502</u>	<u>46,289</u>	<u>75,438</u>
41,397	600,758	58,691	372,566	9,030	4,412	8,741	-
-	-	-	-	-	-	-	-
-	159,003	-	876,103	33,930	101,090	-	-
(199)	-	-	26,735	-	-	-	-
-	-	-	60,632	1,977	-	-	-
-	-	-	-	-	-	-	-
6,179	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
758	-	-	13,421	7,134	-	37,548	75,438
<u>48,135</u>	<u>759,761</u>	<u>58,691</u>	<u>1,349,457</u>	<u>52,071</u>	<u>105,502</u>	<u>46,289</u>	<u>75,438</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<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, 2011

Data Control Codes	396 Advance Placement/ Testing	399 Investment Capital Funds	401 Optional Extended Year Program	410 State Textbook Fund
REVENUES:				
5700	\$ -	\$ -	\$ -	\$ -
5800	16,582	62,144	2,283	46
5900	-	-	-	-
5020	<u>16,582</u>	<u>62,144</u>	<u>2,283</u>	<u>46</u>
EXPENDITURES:				
Current:				
0011	5,482	3,000	2,283	46
0012	-	-	-	-
0013	11,100	-	-	-
0021	-	-	-	-
0023	-	-	-	-
0031	-	-	-	-
0033	-	-	-	-
0034	-	-	-	-
0035	-	-	-	-
0036	-	-	-	-
0041	-	-	-	-
0051	-	-	-	-
0061	-	59,144	-	-
6030	<u>16,582</u>	<u>62,144</u>	<u>2,283</u>	<u>46</u>
1100	-	-	-	-
OTHER FINANCING SOURCES (USES):				
7915	-	-	-	-
8949	-	-	-	-
7080	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200	-	-	-	-
0100	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

411 Technology Allotment	414 Student Success Initiative	415 Kindergarten and Pre-K Grants	424 District Award for Teachers	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 77,109	\$ 77,227
607,602	356,539	659,195	643,784	24,651	2,600,055
-	-	-	-	-	20,156,206
<u>607,602</u>	<u>356,539</u>	<u>659,195</u>	<u>643,784</u>	<u>101,760</u>	<u>22,833,488</u>
149,162	343,783	652,327	-	8,662	8,946,563
-	-	-	-	88	133,880
260,578	7,659	6,868	643,784	124,682	4,469,847
-	-	-	-	-	376,590
-	5,097	-	-	2,040	348,280
-	-	-	-	-	865,302
-	-	-	-	-	127,069
-	-	-	-	-	2,896
-	-	-	-	-	83,569
-	-	-	-	45,984	74,288
-	-	-	-	-	1,100
-	-	-	-	-	4,205,763
-	-	-	-	-	952,338
<u>409,740</u>	<u>356,539</u>	<u>659,195</u>	<u>643,784</u>	<u>181,456</u>	<u>20,587,485</u>
<u>197,862</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(79,696)</u>	<u>2,246,003</u>
-	-	-	-	74,549	74,549
-	-	-	-	-	(2,071,474)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>74,549</u>	<u>(1,996,925)</u>
197,862	-	-	-	(5,147)	249,078
99,532	-	-	-	101,535	962,478
<u>\$ 297,394</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,388</u>	<u>\$ 1,211,556</u>

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MIDLAND INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2011

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2002 and prior years	\$ 1.500000	\$ 0.110000	\$ 4,619,522,238
2003	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 (School year under audit)	1.040050	0.105000	10,879,019,756
1000 TOTALS			

(10)	(20)	(31)	(32)	(40)	(50)
Beginning Balance 9/1/2010	Current Years Total Levy	Maintenance Collections	Debt Service Collections	Entire Years Adjustments	Ending Balance 8/31/2011
\$ 91,897	\$ -	\$ 5,644	\$ 395	\$ (738)	\$ 85,120
178,327	-	(163,707)	(13,849)	(187,366)	168,517
136,094	-	(114,665)	(10,899)	(142,165)	119,493
141,494	-	32,462	2,758	10,031	116,305
256,192	-	52,681	5,052	(48,380)	150,079
237,764	-	92,360	15,512	33,538	163,430
493,351	-	247,370	29,733	97,018	313,266
1,622,829	-	913,308	98,780	(19,907)	590,834
-	120,810,207	108,069,479	10,910,460	(432,198)	1,398,070
\$ 3,524,803	\$ 120,810,207	\$ 109,149,933	\$ 11,039,042	\$ (780,661)	\$ 3,365,374

MIDLAND INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2012-2013
 GENERAL AND SPECIAL REVENUE FUNDS
 AUGUST 31, 2011

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

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collections	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (other) Miscellaneous	7 Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 333,136	\$ 2,525,000	\$ -	\$ -	\$ 2,858,136
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	28,399	-	-	-	-	-	28,399
6212	Audit Services	-	-	-	84,300	-	-	84,300
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	1,156,257	-	-	-	-	1,156,257
621X	Other Professional Services	1,270	-	175	25,067	-	-	26,512
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	143	415,263	-	-	415,406
6240	Contr. Maint. and Repair	-	-	-	-	3,540	-	3,540
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	-	-	-	-
6290	Miscellaneous Contr.	9,877	-	2,369	261,593	-	-	273,839
6320	Textbooks and Reading	-	-	-	-	-	-	-
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	10,522	-	17,440	91,929	-	-	119,891
6410	Travel, Subsistence, Stipends	19,008	-	10,715	64,427	-	-	94,150
6420	Ins. and Bonding Costs	-	-	-	120,472	-	-	120,472
6430	Election Costs	6,729	-	-	-	-	-	6,729
6490	Miscellaneous Operating	2,205	-	27,073	22,794	-	-	52,072
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	\$ 78,010	\$ 1,156,257	\$ 391,051	\$ 3,610,845	\$ 3,540	\$ -	\$ 5,239,703

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 179,091,588

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 2,020,745
Total Debt & Lease(6500)	(11)	-
Plant Maintenance (Function 51, 6100-6400)	(12)	16,986,103
Food (Function 35, 6341 and 6499)	(13)	3,415,796
Stipends (6413)	(14)	-
Column 4 (above) - Total Indirect Cost		<u>3,610,845</u>

SubTotal: 26,033,489

Net Allowed Direct Cost \$ 153,058,099

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 243,813,912
Historical Cost of Building over 50 years old	(16)	\$ 13,033,043
Amount of Federal Money in Building Cost (Net of #16)	(17)	\$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18)	\$ 28,379,756
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ 930,480
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ 312,614

(8) NOTE A: \$366,357 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 FUND AS OF AUGUST 31, 2011

EXHIBIT J-3

UNAUDITED

1	Total General Fund Balance as of 8/31/11 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 38,915,734
2	Total Non-Spendable Fund Balance (from Exhibit C-1 - for the General Fund Only)	\$ 1,212,500	
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.)	26,792,354	
7	Estimate of two month's average cash disbursements during the fiscal year.	13,603,429	
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>43,608,283</u>
13	Excess (Deficit) Unassigned Fund Balance (Line 1 minus Line 13)		<u>\$ (4,692,549)</u>

MIDLAND INDEPENDENT SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 BUDGET AND ACTUAL - NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2011

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	\$ 2,386,724	\$ 2,495,539	\$ 2,622,578	\$ 127,039
5800 State Program Revenues	60,000	56,854	56,854	-
5900 Federal Program Revenues	7,652,870	7,421,477	7,585,386	163,909
5020 Total Revenues	10,099,594	9,973,870	10,264,818	290,948
EXPENDITURES:				
0035 Food Services	10,099,594	10,705,882	10,520,703	185,179
6030 Total Expenditures	10,099,594	10,705,882	10,520,703	185,179
1200 Net Change in Fund Balances	-	(732,012)	(255,885)	476,127
0100 Fund Balance - September 1 (Beginning)	-	3,699,616	3,699,616	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ 2,967,604	\$ 3,443,731	\$ 476,127

MIDLAND INDEPENDENT SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2011

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	\$ 11,234,341	\$ 11,338,549	\$ 11,151,185	\$ (187,364)
5020 Total Revenues	11,234,341	11,338,549	11,151,185	(187,364)
EXPENDITURES:				
Debt Service:				
0071 Principal on Long Term Debt	5,500,000	5,500,000	5,500,000	-
0072 Interest on Long Term Debt	5,516,900	5,731,443	5,674,341	57,102
0073 Bond Issuance Cost and Fees	2,900	2,900	2,900	-
6030 Total Expenditures	11,019,800	11,234,343	11,177,241	57,102
1200 Net Change in Fund Balances	214,541	104,206	(26,056)	(130,262)
0100 Fund Balance - September 1 (Beginning)	-	4,474,481	4,474,481	-
3000 Fund Balance - August 31 (Ending)	\$ 214,541	\$ 4,578,687	\$ 4,448,425	\$ (130,262)

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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, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 10, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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,



To the Board of Trustees
Midland Independent School District

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providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District, in a separate letter dated January 10, 2012.

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 10, 2012



**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 *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, 2011. 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, 2011.

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



To the Board of Trustees
Midland Independent School District

Page 2

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.

This report is intended solely for the information and use of management, City Council, others within the entity, 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 10, 2012

**MIDLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2011**

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>
84.116Z	Fund for the Improvement of Postsecondary Education
81.010A	Title I, Part A
84.389A	Title I, Part A - ARRA
84.010A	Title I, School Improvement Prg.
84.027A	IDEA-B Formula
84.173A	IDEA-B Preschool
84.391A	IDEA-B Formula - ARRA
84.392A	IDEA-B Preschool - ARRA
84.376A	Title II Part A
84.394A	Title XIV SFSF ARRA

Dollar threshold used to distinguish between type A and type B programs: \$856,476

Auditee qualified as low-risk auditee? X Yes No

**MIDLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2011**

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, 2010**

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, 2011

(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>Direct Programs</u>			
Fund for the Improvement of Postsecondary Ed.	84.116Z	P116Z100043	\$ 348,996
Total Direct Programs			<u>\$ 348,996</u>
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	11610101165901	\$ 4,079,213
*Title I - School Improvement	84.010A	11610104165901118	52,071
ESEA, Title I, Part C - Migratory Children	84.011A	11615001165901	108,464
*IDEA - Part B, Formula	84.027	11660001165901600	3,174,571
*IDEA - Part B, Preschool	84.173	11661001165901610	70,323
Total Special Education Cluster (IDEA)			<u>3,244,894</u>
Career and Technology - Basic Grant	84.048A	11420006165901	165,178
ESEA, Title I, Part B - Even Start	84.213C	116120017110410	207,432
Library Supplement	84.298	2685001165901	357
Title III, Part A, English Lang. Acquisition	84.365A	11671001165901	134,938
Title II, Part A, Training and Recruiting	84.367A	11694501165901	1,067,732
Title II D Enhancing Ed Through Technology - ARRA	84.386A	10553001165901	2,013
Summer School - LEP	84.369A	069550902	6,446
Texas Homeless Education - ARRA	84.387	A09-036	49,457
*Title I, Part A, ARRA	84.389A	10551001165901	1,349,457
IDEA-B Formula - ARRA	84.391A	10554001165901	759,761
IDEA - B Preschool - ARRA	84.392A	10555001165901	58,691
Title XIV, SFSF - ARRA	84.394A	11557001165901	4,193,668
Total Passed Through State Department of Education			<u>\$ 15,479,772</u>
TOTAL DEPARTMENT OF EDUCATION			<u>\$ 15,828,768</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through State Department of Education</u>			
Head Start	93.600	06CH6994/41	\$ 2,068,015
Head Start - ARRA	93.708	06SE6994/01	48,135
Total Passed Through State Department of Education			<u>\$ 2,116,150</u>
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>\$ 2,116,150</u>
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*National School Lunch Program	10.555		\$ 10,520,703
*Summer Feeding Program	10.559		83,569
Total Child Nutrition Cluster			<u>10,604,272</u>
Total Passed Through the State Department of Agriculture			<u>\$ 10,604,272</u>
TOTAL DEPARTMENT OF AGRICULTURE			<u>\$ 10,604,272</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 28,549,190</u>

*Clustered Programs

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**MIDLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2011**

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	\$ 1,743,043
	200-499 Special Revenue Funds	27,741,592
		29,484,635
	Audit Period Expenditures From the Schedule of Expenditures of Federal Awards	\$28,549,190

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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