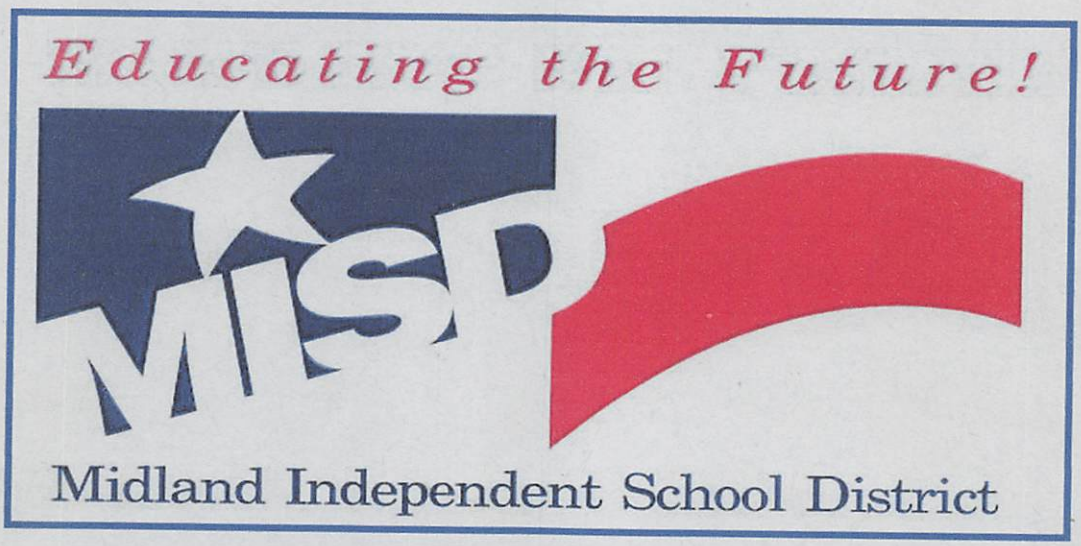
MIDLAND INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

for year ended

August 31, 2010



615 WEST MISSOURI
MIDLAND, TEXAS 79701-5017

Educating the Future!

MIDLAND INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2010

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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, 2010 at a meeting of the Board of Trustees of such school district on the 11th day of January, 2011.

Karen Nicholson
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, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Midland Independent School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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, 2010, and the respective changes in financial position, and cash flows thereof, where applicable, 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 11, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7 through 12 and 55 be presented to supplement the basic financial statements.

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Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and other 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 and other TEA required schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, 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 11, 2011

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, 2010. 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.

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 under the No Child Left Behind Act 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). 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 decreased from $111,740,619 to $110,563,583. 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 were $37,795,850.

Table I
Midland Independent School District

NET ASSETS

	Governmental Activities 2009	Governmental Activities 2010	Difference
Current and Other Assets	$ 74,091,969	$ 68,381,110	$ (5,710,859)
Capital Assets	188,772,499	187,277,803	(1,494,696)
Total Assets	262,864,468	255,658,913	(7,205,555)
Long-term Liabilities	131,828,671	127,124,803	(4,703,868)
Other Liabilities	19,295,178	17,970,527	(1,324,651)
Total Liabilities	151,123,849	145,095,330	(6,028,519)
Net Assets:			
Invested in Capital Assets Net of Debt	57,161,792	60,450,469	3,288,677
Restricted	15,878,061	12,317,264	(3,560,797)
Unrestricted	38,700,766	37,795,850	(904,916)
Total Net Assets	$ 111,740,619	$ 110,563,583	$ (1,177,036)

Table II
Midland Independent School District

CHANGES IN NET ASSETS

	Governmental Activities 2009	Governmental Activities 2010	Difference
Revenues:			
Program Revenues:			
Charges for Services	$ 3,307,661	$ 3,181,886	$ (125,775)
Grants and Contributions	18,555,764	22,993,383	4,437,619
General Revenues:			
Maintenance and Operations Taxes	96,807,910	103,623,309	6,815,399
Debt Service Taxes	11,671,345	11,244,541	(426,804)
State Aid - Formula Grants	44,285,820	42,113,488	(2,172,332)
Grants and Contributions Not Restricted to Specific Functions	11,161,468	5,618,054	(5,543,414)
Investment Earnings	1,050,107	145,390	(904,717)
Miscellaneous	1,352,737	1,657,073	304,336
Total Revenue	188,192,812	190,577,124	2,384,312
Expenses:			
Instruction, Curriculum and Media Services	111,501,517	115,312,897	3,811,380
Instructional and School Leadership	11,034,824	11,801,457	766,633
Student Support Services	14,692,001	15,570,633	878,632
Child Nutrition	9,265,708	9,391,271	125,563
Cocurricular Activities	4,251,095	4,191,966	(59,129)
General Administration	4,833,400	5,337,249	503,849
Plant Maintenance, Security and Data Processing	24,534,226	22,900,294	(1,633,932)
Community Services	1,003,822	1,070,894	67,072
Debt Services	6,455,170	6,111,225	(343,945)
Shared Service Arrangements	-	66,274	66,274
Total Expenses	187,571,763	191,754,160	4,182,397
Increase (Decrease) in Net Assets Before Transfers and Special Items	621,049	(1,177,036)	(1,798,085)
Beginning Net Assets	111,119,570	111,740,619	621,049
Ending Net Assets	$ 111,740,619	$ 110,563,583	$ (1,177,036)

The District's total revenues increased approximately $2.4 million, primarily due to increased student enrollment. The total cost of all programs and services increased by $4.2 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 $43.5 million, down $4.6 million from 2009 (See Exhibit C-3). The decrease is primarily due to construction projects related to the 2007 series bonds and board education initiatives.

Included in this year's total change in fund balance is a decrease of $1.8 million in the District's General Fund. As illustrated in Exhibit J-3, this leaves the District $10.2 million below its optimum fund balance according to TEA guidelines.

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

The District's General Fund balance of $34.1 million reported on Exhibit G-1 differs from the General Fund's budgetary fund balance of $31.5 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 2010, the District had $187.3 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 $1.5 million, net of accumulated depreciation, from last year.

Debt:
At year-end, the District had $123.8 million in bonds and notes outstanding versus $128.7 million last year (Note E). The district paid off $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 years 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 5.6%, down from 5.9% in the prior year. The state average was 8.1%. The U.S average was 9.2%.
- The Cost of Living Index for Midland was 92.5% 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 19,648, a decrease of approximately 69 students from the 2008-2009 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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EXHIBIT A-1

MIDLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
AUGUST 31, 2010

Data Control Codes		1 Primary Government: Governmental Activities	4 Component Unit: Component Unit
ASSETS			
1110	Cash and Cash Equivalents	$ 7,199,030	$ -
1120	Current Investments	51,663,629	349,708
1220	Property Taxes Receivable (Delinquent)	3,524,803	-
1230	Allowance for Uncollectible Taxes	(634,465)	-
1240	Due from Other Governments	3,147,695	-
1290	Other Receivables, net	825,619	5,001
1300	Inventories	2,056,941	-
1410	Deferred Expenses	465,809	-
1420	Capitalized Bond and Other Debt Issuance Costs	132,049	-
	Capital Assets:		
1510	Land	9,298,831	-
1520	Buildings, Net	168,398,541	-
1530	Furniture and Equipment, Net	9,580,431	-
1000	Total Assets	255,658,913	354,709
LIABILITIES			
2110	Accounts Payable	4,171,664	-
2150	Payroll Deductions & Withholdings	1,968,435	-
2160	Accrued Wages Payable	4,037,829	-
2177	Due to Fiduciary Funds	33,721	-
2180	Due to Other Governments	43,512	-
2300	Deferred Revenues	2,261,921	-
2400	Payable from Restricted Assets	5,453,445	-
	Noncurrent Liabilities		
2501	Due Within One Year	5,649,269	-
2502	Due in More Than One Year	121,475,534	-
2000	Total Liabilities	145,095,330	-
NET ASSETS			
3200	Invested in Capital Assets, Net of Related Debt	60,450,469	-
	Restricted for:		
3840	Restricted for Food Service	3,699,616	-
3850	Restricted for Debt Service	4,474,481	-
3860	Restricted for Capital Projects	279,778	-
3890	Restricted for Other Purposes	3,863,389	-
3900	Unrestricted Net Assets	37,795,850	354,709
3000	Total Net Assets	$ 110,563,583	$ 354,709

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, 2010

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	$ 104,915,727	$ 198,134	$ 10,289,820	$ 35,536
12	Instructional Resources and Media Services	2,572,502	-	137,396	-
13	Curriculum and Staff Development	7,824,668	-	4,156,527	-
21	Instructional Leadership	2,302,964	-	872,598	-
23	School Leadership	9,498,493	-	284,621	-
31	Guidance, Counseling and Evaluation Services	6,233,150	-	593,036	-
32	Social Work Services	212,550	-	-	-
33	Health Services	1,849,727	-	181,794	-
34	Student (Pupil) Transportation	7,275,206	-	2,500	-
35	Food Services	9,391,271	2,588,325	97,741	-
36	Extracurricular Activities	4,191,966	395,427	62,168	-
41	General Administration	5,337,249	-	1,295	-
51	Plant Maintenance and Operations	19,100,408	-	5,422,988	-
52	Security and Monitoring Services	892,284	-	-	-
53	Data Processing Services	2,901,226	-	4,956	-
61	Community Services	1,070,894	-	850,407	-
72	Debt Service - Interest on Long Term Debt	6,090,510	-	-	-
73	Debt Service - Bond Issuance Cost and Fees	20,715	-	-	-
93	Payments related to Shared Services Arrangements	66,274	-	-	-
	[TP] TOTAL PRIMARY GOVERNMENT:	$ 191,747,784	$ 3,181,886	$ 22,957,847	$ 35,536

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	Component Unit
Governmental Activities	Component Unit
$ (94,392,237)	$ -
(2,435,106)	-
(3,668,141)	-
(1,430,366)	-
(9,213,872)	-
(5,640,114)	-
(212,550)	-
(1,667,933)	-
(7,272,706)	-
(6,705,205)	-
(3,734,371)	-
(5,335,954)	-
(13,677,420)	-
(892,284)	-
(2,896,270)	-
(220,487)	-
(6,090,510)	-
(20,715)	-
(66,274)	-
(165,572,515)	-
103,623,309	5,930
11,244,541	-
47,731,542	-
145,390	-
1,650,697	-
164,395,479	5,930
(1,177,036)	5,930
111,740,619	348,779
$ 110,563,583	$ 354,709

MIDLAND INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2010

Data Control Codes		10 General Fund	National School Brkfst/Lunch	50 Debt Service Fund
	ASSETS			
1110	Cash and Cash Equivalents	$ 5,410,374	$ -	$ -
1120	Investments - Current	31,179,174	4,138,607	4,435,248
1220	Property Taxes - Delinquent	3,180,747	-	344,056
1230	Allowance for Uncollectible Taxes (Credit)	(572,535)	-	(61,930)
1240	Receivables from Other Governments	744,929	245,047	-
1260	Due from Other Funds	3,802,747	-	-
1290	Other Receivables	825,619	-	-
1300	Inventories	1,102,690	954,251	-
1410	Deferred Expenditures	465,809	-	-
1000	Total Assets	$ 46,139,554	$ 5,337,905	$ 4,717,374
	LIABILITIES AND FUND BALANCES			
	Liabilities:			
2110	Accounts Payable	$ 2,186,555	$ 793,108	$ 8,600
2150	Payroll Deductions and Withholdings Payable	1,968,435	-	-
2160	Accrued Wages Payable	3,298,884	161,385	-
2170	Due to Other Funds	327,007	653,356	-
2180	Due to Other Governments	-	-	16,996
2300	Deferred Revenues	4,213,266	30,440	217,297
2000	Total Liabilities	11,994,147	1,638,289	242,893
	Fund Balances:			
	Reserved For:			
3410	Investments in Inventory	1,102,690	954,251	-
3420	Retirement of Long Term Debt	-	-	4,474,481
3440	Outstanding Encumbrances	2,260,699	-	-
3450	Food Service/Federal or State Funds	-	2,745,365	-
	Unreserved Designated For:			
3530	Capital Expenditures for Equipment	500,000	-	-
	Unreserved and Undesignated:			
3600	Reported in the General Fund	30,282,018	-	-
3610	Reported in Special Revenue Funds	-	-	-
3620	Reported in Capital Projects Funds	-	-	-
3000	Total Fund Balances	34,145,407	3,699,616	4,474,481
4000	Total Liabilities and Fund Balances	$ 46,139,554	$ 5,337,905	$ 4,717,374

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

60 Capital Projects	Non-major Governmental Funds	Total Governmental Funds
$ 4,790	$ 1,490,898	$ 6,906,062
505,852	-	40,258,881
-	-	3,524,803
-	-	(634,465)
-	2,157,719	3,147,695
-	270,720	4,073,467
-	-	825,619
-	-	2,056,941
-	-	465,809
$ 510,642	$ 3,919,337	$ 60,624,812
$ 230,864	$ 949,318	$ 4,168,445
-	-	1,968,435
-	577,560	4,037,829
-	1,361,378	2,341,741
-	26,516	43,512
-	42,087	4,503,090
230,864	2,956,859	17,063,052
-	-	2,056,941
-	-	4,474,481
-	-	2,260,699
-	-	2,745,365
-	-	500,000
-	-	30,282,018
-	962,478	962,478
279,778	-	279,778
279,778	962,478	43,561,760
$ 510,642	$ 3,919,337	$ 60,624,812

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EXHIBIT C-2

MIDLAND INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
AUGUST 31, 2010

	Total Fund Balances - Governmental Funds	$	43,561,760
1	The District uses internal service funds to charge the costs of certain activities, such as self-insurance to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The net effect of this consolidation is to increase net assets.		4,475,605
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 $273,985,692 and the accumulated depreciation was $85,213,193. 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.)		57,092,492
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 2010 capital outlays and debt principal payments is to increase net assets. (See Note II. B. for further analysis.)		10,790,345
4	The 2010 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(7,597,788)
5	Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net assets.		2,241,169
19	**Net Assets of Governmental Activities**	$	110,563,583

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, 2010

Data Control Codes		10 General Fund	National School Brkfst/Lunch	50 Debt Service Fund
	REVENUES:			
5700	Total Local and Intermediate Sources	$ 105,927,889	$ 2,597,489	$ 11,257,407
5800	State Program Revenues	39,706,253	60,040	-
5900	Federal Program Revenues	1,409,060	6,720,772	-
5020	Total Revenues	147,043,202	9,378,301	11,257,407
	EXPENDITURES:			
	Current:			
0011	Instruction	90,786,479	-	-
0012	Instructional Resources and Media Services	2,291,567	-	-
0013	Curriculum and Instructional Staff Development	3,509,636	-	-
0021	Instructional Leadership	1,429,572	-	-
0023	School Leadership	9,062,292	-	-
0031	Guidance, Counseling and Evaluation Services	5,645,676	-	-
0032	Social Work Services	256,112	-	-
0033	Health Services	1,656,569	-	-
0034	Student (Pupil) Transportation	7,509,341	-	-
0035	Food Services	-	9,487,750	-
0036	Extracurricular Activities	3,727,713	-	-
0041	General Administration	5,310,523	-	-
0051	Facilities Maintenance and Operations	13,575,847	-	-
0052	Security and Monitoring Services	917,199	-	-
0053	Data Processing Services	2,866,774	-	-
0061	Community Services	224,600	-	-
	Debt Service:			
0071	Debt Service - Principal on Long Term Debt	-	-	5,085,000
0072	Debt Service - Interest on Long Term Debt	-	-	5,874,798
0073	Debt Service - Bond Issuance Cost and Fees	-	-	4,100
	Capital Outlay:			
0081	Facilities Acquisition and Construction	209,371	-	-
	Intergovernmental:			
0093	Payments to Fiscal Agent/Member Districts of SSA	66,274	-	-
6030	Total Expenditures	149,045,545	9,487,750	10,963,898
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,002,343)	(109,449)	293,509
	OTHER FINANCING SOURCES (USES):			
7912	Sale of Real and Personal Property	12,993	366	-
7915	Transfers In	256,239	-	-
8949	Other (Uses)	(61,907)	-	-
7080	Total Other Financing Sources (Uses)	207,325	366	-
1200	Net Change in Fund Balances	(1,795,018)	(109,083)	293,509
0100	Fund Balance - September 1 (Beginning)	35,940,425	3,808,699	4,180,972
3000	Fund Balance - August 31 (Ending)	$ 34,145,407	$ 3,699,616	$ 4,474,481

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

60 Capital Projects	Non-major Governmental Funds	Total Governmental Funds
$ 24,520	$ 76,431	$ 119,883,736
-	2,351,586	42,117,879
-	20,641,406	28,771,238
24,520	23,069,423	190,772,853
-	10,325,356	101,111,835
-	137,396	2,428,963
-	4,156,527	7,666,163
-	872,598	2,302,170
-	284,621	9,346,913
-	593,036	6,238,712
-	-	256,112
-	181,794	1,838,363
-	2,500	7,511,841
-	97,741	9,585,491
-	62,168	3,789,881
-	1,295	5,311,818
-	5,422,988	18,998,835
-	-	917,199
-	4,956	2,871,730
-	850,407	1,075,007
-	-	5,085,000
-	-	5,874,798
-	-	4,100
2,885,251	-	3,094,622
-	-	66,274
2,885,251	22,993,383	195,375,827
(2,860,731)	76,040	(4,602,974)
-	-	13,359
-	61,907	318,146
-	(256,239)	(318,146)
-	(194,332)	13,359
(2,860,731)	(118,292)	(4,589,615)
3,140,509	1,080,770	48,151,375
$ 279,778	$ 962,478	$ 43,561,760

EXHIBIT C-4

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, 2010

Total Net Change in Fund Balances - Governmental Funds	$	(4,589,615)
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 income of internal service funds are reported with governmental activities. The net effect of this is to increase net assets.		435,486
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 2010 capital outlays and debt principal payments is to increase net assets. (See Note II. B. for further analysis.)		10,790,345
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.		(7,597,788)
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 decrease net assets. (See Note II. B. for further analysis.)		(215,464)
Change in Net Assets of Governmental Activities	$	(1,177,036)

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, 2010

Data Control Codes		Internal Service Fund
	ASSETS	
	Current Assets:	
1110	Cash and Cash Equivalents	$ 292,968
1120	Investments - Current	11,404,748
1260	Due from Other Funds	14,712
1000	Total Assets	11,712,428
	LIABILITIES	
	Current Liabilities:	
2110	Accounts Payable	3,219
2170	Due to Other Funds	1,780,159
2400	Payable from Restricted Assets	5,453,445
2000	Total Liabilities	7,236,823
	NET ASSETS	
3300	Unrestricted Net Assets	4,475,605
3000	Total Net Assets	$ 4,475,605

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, 2010

Data Control Codes		Internal Service Fund
	OPERATING REVENUES	
5700	Local and Intermediate Sources	$ 16,781,435
5020	Total Operating Revenues	16,781,435
	OPERATING EXPENSES:	
6100	Payroll Costs	166,990
6300	Supplies and Materials	34,103
6400	Other Operating Costs	16,170,970
	Total Operating Expenses	16,372,063
	Operating Income	409,372
	NONOPERATING REVENUE (EXPENSES):	
7955	Earnings from Investments	26,114
	Change in Net Assets	435,486
0100	Total Net Assets - September 1 (Beginning)	4,040,119
3000	Total Net Assets - August 31 (Ending)	$ 4,475,605

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, 2010

		Internal Service Fund
Cash Flow from Operating Activities:		
Cash Receipts from Quasi-external Operating Activities with Other Funds	$	35,112,850
Cash Payments to Suppliers for Goods and Benefits		(35,496,451)
Net Cash Used For Operating Activities		(383,601)
Cash Flows from Investing Activities:		
Interest on Investments		26,114
Net Cash Provided by Investing Activities		26,114
Net Decrease in Cash and Investments		(357,487)
Cash and Investments at the Beginning of Year		12,055,203
Cash and Investments at the End of the Year	$	11,697,716
Reconciliation of Operating Income to Net Cash Used For Operating Activities:		
Operating Income	$	409,372
Effect of Increases and Decreases in Current Assets and Liabilities		
Decrease in Receivables		10,739
Increase in Accounts Payable		764
Increase in Due to Other Funds		1,386,615
Decrease in Payable from Restricted Assets		(2,191,091)
Net Cash Used For Operating Activities	$	(383,601)

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, 2010

Data Control Codes		Private Purpose Trust Funds	Employee Benefits Trust Fund	Student Activity Fund
	ASSETS			
1110	Cash and Cash Equivalents	$ 127,364	$ 297,502	$ 626,007
1120	Investments - Current	681,418	467,744	-
1260	Due From Other Funds	-	56,287	-
1290	Other Receivables	-	514,778	-
1000	Total Assets	$ 808,782	$ 1,336,311	$ 626,007
	LIABILITIES			
2110	Accounts Payable	$ -	$ 765,246	$ 9,210
2170	Due to Other Funds	22,566	-	-
2400	Payable from Restricted Assets	786,216	571,065	-
2420	Due to Student Groups	-	-	616,797
2420	Due to Employees	-	-	-
2000	Total Liabilities	$ 808,782	$ 1,336,311	$ 626,007
	NET ASSETS			
	Unrestricted Net Assets	$ (0)		
3000	Total Net Assets	$ (0)		

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, 2010

Data Control Codes		Beginning Balance	Additions	Deletions	Ending Balance
	PRIVATE PURPOSE TRUST FUNDS				
1110	Cash and Cash Equivalents	$ 62,834	$ 97,015	$ 32,485	$ 127,364
1120	Investments - Current	350,138	753,151	421,871	681,418
1290	Other Receivables	1,915	-	1,915	-
1000	Total Assets	$ 414,887	$ 850,166	$ 456,271	$ 808,782
2170	Due to Other Funds	$ 22,566	$ -	$ -	$ 22,566
2400	Payable from Restricted Assets	392,321	850,166	456,271	786,216
2000	Total Liabilities	$ 414,887	$ 850,166	$ 456,271	$ 808,782
	EMPLOYEE BENEFITS TRUST FUND				
1110	Cash and Cash Equivalents	$ 263,646	$ 63,196	$ 29,340	$ 297,502
1120	Investments - Current	466,806	938	-	467,744
1260	Due from Other Funds	61,698	-	5,411	56,287
1290	Other Receivables	482,483	32,295	-	514,778
1000	Total Assets	$ 1,274,633	$ 96,429	$ 34,751	$ 1,336,311
2110	Accounts Payable	$ 709,739	$ 55,507	$ -	$ 765,246
2170	Due from Other Funds	17,698		17,698	-
2400	Payable from Restricted Assets	547,196	23,869	-	571,065
2000	Total Liabilities	$ 1,274,633	$ 79,376	$ 17,698	$ 1,336,311
	STUDENT ACTIVITY FUNDS				
1110	Cash and Cash Equivalents	$ 594,971	$ 1,779,663	$ 1,748,627	$ 626,007
1000	Total Assets	$ 594,971	$ 1,779,663	$ 1,748,627	$ 626,007
2110	Accounts Payable	$ 14,863	$ 18,773	$ 24,426	$ 9,210
2420	Due to Student Groups	580,108	1,760,890	1,724,201	616,797
2000	Total Liabilities	$ 594,971	$ 1,779,663	$ 1,748,627	$ 626,007

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, 2010

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. 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 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 1of 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, 2010, the rates were $1.04005 for maintenance and $.11250 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 18.0 percent of the outstanding property taxes at August 31, 2010.

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, 2010, the District's liability for unused sick leave is $3,281,550.

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:

Assets	Years
Buildings	40
Building Improvements	40
Buses	10
Other Vehicles	5
Office Equipment	5
Computer Equipment	5

Restricted Resources - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net assets represent the difference between assets and liabilities. Net assets in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowing used for the acquisition, construction or improvements of these assets, and adding back unspent proceeds. Restricted net assets represent restrictions that are externally imposed or restrictions imposed by law through constitutional provisions or enabling legislation.

When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first unless unrestricted assets will have to be returned because they were not 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, 2010.

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	$ 9,044,015	$ -----	$ 9,044,015	
Buildings & Improvements	242,217,229	(70,714,515)	171,502,714	
Construction in Progress	-----	-----	-----	
Furniture & Equipment	22,724,448	(14,498,678)	8,225,770	
Capitalized Bond and Other Debt Issuance Costs	148,664	-----	148,664	
Net Change in Assets				$ 188,921,163
Long-term Liabilities at the Beginning of Year	**Beginning Payables**			
Bonds Payable (net of accretion and amortized premium)	(128,712,541)			
Other Payables	(3,116,130)			
Net Change in Assets				(131,828,671)
Total Adjustment to Net Assets				**$ 57,092,492**

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	$ (4,288,175)
Additions - Buildings & Improvements	(1,560,101)
Deletions – Land	(254,816)
Amortization of Debt Issuance Costs	16,615
Compensated Absence – Addition	165,420
Bond Principal Issue net of Payments	(4,869,288)
Total Adjustment to Net Assets	**$ (10,790,345)**

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	$ (173,726)
Adjustments to Taxes - Debt Service Levy	(41,738)
Total Adjustments to Beginning Net Assets	**$ (215,464)**

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, 2010, 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 $17,255,529 and occurred on August 31, 2010.
3. Largest combined collected cash account balance required to be collateralized amounted to $8,973,785 and occurred on August 31, 2010.
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 2009-2010 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.

As of August 31, 2010, all District investments were split between TexPool (Pool) and Lone Star (Pool). Public Funds Investment Pools are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code and are subject to provisions of the Act, Chapter 2256 of the Texas Government Code and are required to maintain a continuous rating of no less that AAA or AAA-m or equivalent. The Pool is required to abide by local policy as well as the Public Funds Investment Act. TexPool has historically made safe and sound investments in things such as:

1) Obligations of the United States Government or its agencies and instrumentalities with a maximum maturity of 13 months.
2) Fully collateralized repurchase agreements and reverse repurchase agreements with a defined termination date not to exceed 90 days, secured by any obligation of the United States, its agencies or its instrumentalities. The repurchase and reverse repurchase agreements are to be placed only with primary government securities dealers or state or national banks doing business in the State of Texas.
3) No-load money market mutual funds regulated by the Securities and Exchange Commission and rated AAA or equivalent by at least one nationally recognized rating service. The money market mutual fund must maintain a dollar-weighted average stated maturity of 60 days or less and include in its investment objectives the maintenance of a stable net asset value of $1.00.

TexPool Prime is authorized to invest in:

1) Obligations of the United States Government or its agencies and instrumentalities with a maximum maturity of 397 days for fixed rate securities and 731 days for variable rate notes.
2) Fully collateralized repurchase agreements and reverse repurchase agreements, secured by any obligation of the United States, its agencies or its instrumentalities. The repurchase and reverse repurchase agreements are to be placed only with primary government securities dealers or state or national banks doing business in the State of Texas. The maturity of the repurchase agreements may not exceed 90 days except to the extent that such agreements have a put provision that enables TexPool to terminate the agreement at par (principal plus accrued) on seven days' notice to the counterparty. The maturity of the repurchase agreements may not exceed 181 days in any circumstance.
3) No-load money market mutual funds regulated by the Securities and Exchange Commission and rated AAA or equivalent by at least one nationally recognized statistical rating organization ("NRSRO"). The money market mutual fund must maintain a dollar-weighted average maturity of 60 days or less and include in its investment objectives the maintenance of a stable net asset value of $1.00.
4) Certificates of deposit issued by national or state banks or credit unions, including savings banks, provided that such bank or credit union is domiciled in Texas. The certificates of deposit must be guaranteed or insured by the Federal Deposit Insurance Company or the National Credit Union Share Insurance Fund. In addition, the certificates of deposit must be secured by obligations of the United States, its agencies or instrumentalities or as otherwise required by law.
5) Commercial paper that matures in 270 days or less from the date of its issuance. The commercial paper must be rated at least A-1 or P-1 (or the equivalent thereof) by (1) two NRSROs or (2) one NRSRO and fully secured by an irrevocable letter of credit by a national or state bank.

Though the Lone Star Investment Pool has the authority to invest in all securities authorized under the Investment Act, it is the Board's policy that only the following of such authorized investments will be eligible as Liquidity Plus Fund investments:

1) Obligations of the United States or its agencies and instrumentalities.
2) Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the United States or its agencies and instrumentalities.
3) Fully collateralized repurchase agreements that meet the following criteria: (1) have a defined termination date; (2) are secured by obligations of the United States or its agencies and instrumentalities; (3) require the securities being purchased by the Liquidity Plus Fund to be pledged to the Liquidity Plus Fund, held in the Liquidity Plus Fund's name, and deposited at the time the investment is made with the Liquidity Plus Fund or with a third party selected and approved by the Liquidity Plus Fund; and (4) are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in this state. The market value of repurchase agreement collateral is required to initially be 102 percent of the principal amount of such repurchase agreement. Thereafter, the market value of such collateral will be determined (marked-to-market) daily and reset to 102 percent of the principal amount if it falls below 100 percent.
4) No-load money market mutual funds regulated by the SEC, provided the Liquidity Plus Fund shall not invest its funds in any one money market mutual fund in an amount that exceeds 10 percent of the total assets of such money market mutual fund.

Cash and investments as of August 31, 2010 are classified in the accompanying financial statements as follows:

Governmental funds	$	47,164,943
Proprietary funds		11,697,716
Fiduciary funds		2,200,035
Component Unit		349,708
	$	61,412,402

The investments held at August 31, 2010 are as follows:

		Fair Value	Rating	WAM (1)	WAM (2)
Cash and Imprest Funds	$	8,249,703	AAAm per Standard and Poors	1 Day	1 Day
Texpool		28,767,180	AAAm per Standard and Poors	28 Days	77 Days
Texpool Prime		13,390,127	AAAm per Standard and Poors	23 Days	34 Days
Lone Star/First Public		2,002,651	AAAm per Standard and Poors	52 Days	87 Days
Texas Class		9,002,741	AAAm per Standard and Poors	44 Days	N/A
	$	61,412,402			

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, 2010, 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	$ ------	$ 270,720	$ ------	$ ------	$ ------	$ 56,287	$ 327,007
Due From Special Revenue Funds	2,000,022	------	------	------	14,712	------	2,014,734
Due From Debt Service Fund	------	------	------	------	------	------	------
Due From Capital Projects Fund	------	------	------	------	------	------	------
Due From Enterprise Funds	------	------	------	------	------	------	------
Due From Internal Service Funds	1,780,159	------	------	------	------	------	1,780,159
Due From Trust & Agency Funds	22,566	------	------	------	------	------	22,566
Total Due From	**$ 3,802,747**	**$ 270,720**	**$ ------**	**$ ------**	**$ 14,712**	**$ 56,287**	**$ 4,144,466**
Due To General Fund	$ ------	$ 2,000,022	$ ------	$ ------	$ 1,780,159	$ 22,566	$ 3,802,747
Due To Special Revenue Funds	270,720	------	------	------	------	------	270,720
Due To Debt Service Fund	------	------	------	------	------	------	------
Due To Capital Projects Fund	------	------	------	------	------	------	------
Due To Enterprise Funds	------	------	------	------	------	------	------
Due To Internal Service Funds	------	14,712	------	------	------	------	14,712
Due To Trust & Agency Funds	56,287	------	------	------	------	------	56,287
Total Due To	**$ 327,007**	**$ 2,014,734**	**$ ------**	**$ ------**	**$ 1,780,159**	**$ 22,566**	**$ 4,144,466**

Interfund transfers for the year ended August 31, 2010 consisted of operation funds transferred to fund the Storytelling Project, IDEA-Part B for computer purchase reimbursement, and also the closure of the High School Allotment into the general fund effective 09-01-09. These transfers are reflected in the following amounts:

Transfers Out		**Totals**
General Fund		
IDEA – Part B Formula	$ 6,376	
Storytelling Fund	55,531	
Sub Total - General Fund		$ 61,907
Special Revenue Funds		
High School Allotment Fund	$ 256,239	
Sub Total - Special Revenue Funds		256,239
Total - Transfers Out		$ 318,146

Transfers In		**Totals**
General Fund		
High School Allotment	$ 256,239	
Sub Total – General Fund		$ 256,239
Special Revenue Funds		
IDEA – Part B Formula	$ 6,376	
Storytelling Fund	55,531	
Sub Total - Special Revenue Funds		$ 61,907
Total - Transfers In		$ 318,146

D. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended August 31, 2010, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Land	$ 9,044,015	$ 254,816	$ ------	$ 9,298,831
Buildings and Improvements	242,217,229	1,560,101	------	243,777,330
Construction in Progress	------	------	------	------
Furniture and Equipment	22,724,448	4,288,175	(639,672)	26,372,951
Leased Property Under Capital Leases	------	------	------	------
Totals at Historic Cost	273,985,692	6,103,092	(639,672)	279,449,112
Less Accumulated Depreciation:		**Current Depreciation**	**Retired Depreciation**	
Buildings and Improvements	(70,714,515)	(4,664,274)	------	(75,378,789)
Furniture and Equipment	(14,498,678)	(2,933,514)	639,672	(16,792,520)
Leased Property Under Capital Leases	------	------	------	------
Total Accumulated Depreciation	(85,213,193)	(7,597,788)	639,672	(92,171,309)
Governmental Activities Capital Assets, Net	**$188,772,499**	**$ (1,494,696)**	**$ —**	**$187,277,803**

Depreciation expense was charged to governmental functions as follows:	**Amount**
Instruction	$ (4,900,448)
Instructional Resources and Media Services	(149,727)
Curriculum Development and Instructional Staff Development	(166,105)
Instructional Leadership	(5,270)
School Leadership	(174,739)
Guidance, Counseling and Evaluation Services	(7,807)
Social Work Services	(7,402)
Health Services	(16,516)
Student (Pupil) Transportation	(638,285)
Food Services	(157,735)
Cocurricular/Extracurricular Activities	(435,211)
General Administration	(32,532)
Plant Maintenance and Operations	(832,948)
Security and Monitoring Service	(39,123)
Data Processing Services	(33,940)
Total Adjustment to Net Assets (See C-2 and C-4)	**$ (7,597,788)**

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, 2010 is as follows:

Date of Issue	Series	Interest Rate	Amount of Original Issue	Amount o/s 8/31/2009	Issued	Accretion/ Amortization	Retired Current Year	Amount o/s 8/31/2010
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	45,500,000	—	—	2,745,000	42,755,000
6/20/04	2004	4.28-4.51%	2,555,000	2,099,550	—	77,509	—	2,177,059
6/26/04	2004	5.00%	25,285,000	24,880,000	—	—	105,000	24,775,000
6/26/06	2006	4-4.5%	13,655,000	12,390,000	—	—	895,000	11,495,000
6/26/06	2006	4.14%	1,110,000	777,676	—	133,126	—	910,802
7/10/07	2007	4.25-5.0%	37,035,000	35,110,633	—	(11,826)	—	35,098,807
6/06/09	2009	2.5-4.0%	3,415,000	3,297,694	—	—	1,340,000	1,957,694
6/06/09	2009	1.30%	1,340,000	1,266,988	—	16,903	—	1,283,891
Total				**$ 128,712,541**	**$ —**	**$ 215,712**	**$ 5,085,000**	**$ 123,843,253**

(1) Capital Appreciation Bonds

Debt service requirements are as follows:

Year	Principal	Interest	Total
2011	$ 5,410,252	$ 5,674,341	$ 11,084,593
2012	5,733,486	5,542,728	11,276,214
2013	3,790,832	5,534,689	9,325,521
2014	3,896,618	5,435,303	9,331,921
2015	4,139,293	5,188,431	9,327,724
2016 – 2020	25,097,234	21,550,531	46,647,765
2015 – 2025	29,879,134	15,208,923	45,088,057
2015 – 2030	33,009,134	7,257,637	40,266,771
2031 – 2032	12,887,270	635,500	13,522,770
Total	**$ 123,843,253**	**$ 72,028,083**	**$ 195,871,336**

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.

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, 2010.

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 31,2010 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, 2010, the District's liability for unused sick leave is $3,281,550.

G. DEFINED BENEFIT PENSION PLAN

Plan Description. Midland Independent School District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 8701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

Funding Policy. State law provides for fiscal years 2008, 2009, and 2010 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, 2008, 2009 and 2010 were $5,343,369, $5,411,086, and $5,662,098 respectively. Midland Independent School District paid additional state contributions for the years ended August 31, 2008, 2009, and 2010 in the amount of $2,218,460, $2,418,729, and $2,403,213, respectively, on the portion of the employees' salaries that exceeded the statutory minimum.

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, 2010, 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, 2010, are reflected as accounts and claims payable of the Fund. The plan is funded to discharge liabilities of the Fund as they become due. The District does not provide any post-retirement health benefits to its employees.

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

	Year Ended August 31, 2009	Year Ended August 31, 2010
Unpaid claims, beginning of the year	$ 4,918,945	$ 4,918,945
Incurred claims/changes in estimates (including IBNR'S)	13,209,420	11,556,598
Claim Payments	(13,209,420)	(13,542,152)
Unpaid claims, end of fiscal year	$ 4,918,945	$ 2,933,391

I. CHANGES IN NONCURRENT LIABILITIES

Long-term activity for the year ended August 31, 2010, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Bonds and Notes Payable	$ 4,948,517	$ 461,735	$ -----	$ 5,410,252
Compensated Absences	250,909	-----	(11,892)	239,017
Total Noncurrent Liabilities Due Within One Year	**$ 5,199,426**	**$ 461,735**	**$ (11,892)**	**$ 5,649,269**
	Beginning Balance	**Additions**	**Deletions**	**Ending Balance**
Governmental Activities:				
Bonds and Notes Payable	$ 123,764,024	$ -----	$ (5,331,023)	$ 118,433,001
Compensated Absences	2,865,221	177,312	-----	3,042,533
Total Noncurrent Liabilities Due In More Than One Year	**$ 126,629,245**	**$ 177,312**	**$ (5,331,023)**	**$ 121,475,534**
	Beginning Balance	**Additions**	**Deletions**	**Ending Balance**
Governmental Activities:				
Bonds and Notes Payable	$ 128,712,541	$ 461,735	$ (5,331,023)	$ 123,843,253
Compensated Absences	3,116,130	177,312	(11,892)	3,281,550
Total Noncurrent Liabilities	**$ 131,828,671**	**$ 639,047**	**$ (5,342,915)**	**$ 127,124,803**

J. OPERATING LEASES

The District leases copiers and other equipment under noncancelable 4 year operating leases. Total costs for such leases were $376,600 for the year ended August 31, 2010. The future minimum lease payments for these leases are as follows:

Year Ending August 31,	
2011	$ 378,900
2012	378,900
2013	378,900
Total	$ 1,136,700

K. DEFERRED REVENUE

Deferred revenue at August 31, 2010 consisted of the following:

	General Fund	Special Revenue Funds	Debt Service Fund	Total
Net Tax Revenue	$ 2,023,874	$ -----	$ 217,297	$ 2,241,171
Gate Receipts	162,741	-----	-----	162,741
Reserve for Litigation	2,022,111	-----	-----	2,022,111
F/S Commodities	-----	30,440	-----	30,440
ESEA Title I, Comprehensive	-----	10,109	-----	10,109
Library Supplement	-----	357	-----	357
Title X, Part C, ARRA	-----	810	-----	810
Advanced Placement	-----	28,615	-----	28,615
Hudson Foundation	-----	46	-----	46
Governor's Ed Excellent Award	-----	2,040	-----	2,040
Read to Succeed	-----	110	-----	110
Miscellaneous	4,540	-----	-----	4,540
Total	**$ 4,213,266**	**$ 72,527**	**$ 217,297**	**$ 4,503,090**

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, 2010, 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	$ 744,929
Food Service	245,047
Summer Feeding Program	51,492
Head Start	180,512
Head Start - ARRA	11,437
ESEA Title IV – Safe & Drug Free Sch	457
ESEA Title I, A- Improving Basic Prgs	351,013
ESEA Title I, C - Migrant	12,133
Even Start Family Literacy	36,223
IDEA, Part B, Formula	300,747
Carl D Perkins – Basic Grant	95,009
ESEA Title II, A-Teacher Prin.Training	61,090
Title II, D-Enhancing Ed thru Tech.	649
Title III, A – English Lang. Acquisition	20,110
Title XIV, State Stabilization	48,601
Title II, - Enh Ed Thru Tech. - ARRA	84,707
IDEA B Formula - ARRA	418,806
IDEA B Preschool - ARRA	14,460
Title I, Part A - ARRA	202,398
Texas After School Initiative	2,840
ESC Non- Ed Based Services	1,025
Investment Capital Grants	87
Optional Extended Year Program	5,197
Intensive Technology	7,799
Student Success Initiative Grant	157,547
Pre K – Early Start	89,237
District Award for Teachers	4,023
Read to Succeed	110
Texas Fitness Now Grant	10
Total	**$ 3,147,695**

M. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total
Property Taxes	$103,623,309	$ -----	$ 11,244,541	$ -----	$114,867,850
Penalties, Interest and Other Tax-related Inc.	1,372,944	-----	-----	-----	1,372,944
Investment Income	91,971	9,498	12,866	4,940	119,275
Food Sales	-----	2,588,325		-----	2,588,325
Co-curricular/Extra-curricular Student Act.	-----	-----	-----	-----	-----
Other	839,665	76,097	-----	19,580	935,342
Total	**$105,927,889**	**$ 2,673,920**	**$ 11,257,407**	**$ 24,520**	**$119,883,736**

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, 2010.

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, 2010 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 $279,778. 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 2009-10	$8,015,920
b)	Subtract any non-medical expenditures Life Insurance	(32,285)
c)	2009-10 Maintenance of Effort	$7,983,635

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, 2010, 1,474 employees participated in the plan and the District contributed $1,639,274.

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 $246,328 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, 2010, the accrued liabilities for worker's compensation self-insurance of $2,520,054 includes estimated incurred but not reported claims.

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

Fiscal Year	Claims
2001	332
2002	314
2003	298
2004	291
2005	287
2006	290
2007	196
2008	118
2009	117
2010	24
10 Year Average	**227**

Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
2009	2,907,175	180,900	362,484	2,725,591
2010	2,725,591	30,879	236,416	2,520,054

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 2010, 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, 2010.

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REQUIRED SUPPLEMENTARY INFORMATION

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EXHIBIT G-1

MIDLAND INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 105,035,792	$ 107,684,727	$ 105,927,889	$ (1,756,838)
5800	State Program Revenues	39,688,613	39,602,271	39,706,253	103,982
5900	Federal Program Revenues	6,796,158	793,081	1,409,060	615,979
5020	Total Revenues	151,520,563	148,080,079	147,043,202	(1,036,877)
	EXPENDITURES:				
	Current:				
0011	Instruction	89,376,917	92,150,631	90,786,479	1,364,152
0012	Instructional Resources and Media Services	2,427,139	2,397,236	2,291,567	105,669
0013	Curriculum and Instructional Staff Development	3,889,050	3,834,354	3,509,636	324,718
0021	Instructional Leadership	1,074,364	1,473,234	1,429,572	43,662
0023	School Leadership	9,806,165	9,350,133	9,062,292	287,841
0031	Guidance, Counseling and Evaluation Services	4,242,459	5,345,316	5,645,676	(300,360)
0032	Social Work Services	290,246	259,937	256,112	3,825
0033	Health Services	1,656,869	1,702,985	1,656,569	46,416
0034	Student (Pupil) Transportation	7,869,496	7,712,633	7,509,341	203,292
0036	Extracurricular Activities	3,520,620	3,952,855	3,727,713	225,142
0041	General Administration	5,017,257	5,452,455	5,310,523	141,932
0051	Facilities Maintenance and Operations	18,672,838	13,903,530	13,575,847	327,683
0052	Security and Monitoring Services	978,820	982,609	917,199	65,410
0053	Data Processing Services	2,448,510	3,402,632	2,866,774	535,858
0061	Community Services	200,813	230,813	224,600	6,213
	Debt Service:				
0071	Debt Service - Principal on Long Term Debt	49,000	69,000	-	69,000
	Capital Outlay:				
0081	Facilities Acquisition and Construction	-	352,613	209,371	143,242
	Intergovernmental:				
0093	Payments to Fiscal Agent/Member Districts of SSA	-	152,156	66,274	85,882
6030	Total Expenditures	151,520,563	152,725,122	149,045,545	3,679,577
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(4,645,043)	(2,002,343)	2,642,700
	OTHER FINANCING SOURCES (USES):				
7912	Sale of Real and Personal Property	-	-	12,993	12,993
7915	Transfers In	-	-	256,239	256,239
8949	Other (Uses)	-	-	(61,907)	(61,907)
7080	Total Other Financing Sources (Uses)	-	-	207,325	207,325
1200	Net Change in Fund Balances	-	(4,645,043)	(1,795,018)	2,850,025
0100	Fund Balance - September 1 (Beginning)	36,196,664	36,196,664	35,940,425	(256,239)
3000	Fund Balance - August 31 (Ending)	$ 36,196,664	$ 31,551,621	$ 34,145,407	$ 2,593,786

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OTHER SUPPLEMENTARY INFORMATION

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COMBINING SCHEDULES

MIDLAND INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2010

Data Control Codes		201 Teacher Training Prgm Math Works	203 Texas Statewide Tobacco Ed	204 ESEA Title IV Safe & Drug Free Schools	205 Head Start
	ASSETS				
1110	Cash and Cash Equivalents	$ -	$ 1,156	$ -	$ 320
1240	Receivables from Other Governments	-	-	457	180,512
1260	Due from Other Funds	5,914	-	-	-
1000	Total Assets	$ 5,914	$ 1,156	$ 457	$ 180,832
	LIABILITIES AND FUND BALANCES				
	Liabilities:				
2110	Accounts Payable	$ 5,914	$ -	$ -	$ 16,544
2160	Accrued Wages Payable	-	-	-	158,762
2170	Due to Other Funds	-	1,156	457	5,526
2180	Due to Other Governments	-	-	-	-
2300	Deferred Revenues	-	-	-	-
2000	Total Liabilities	5,914	1,156	457	180,832
	Fund Balances:				
	Unreserved and Undesignated:				
3610	Reported in Special Revenue Funds	-	-	-	-
3000	Total Fund Balances	-	-	-	-
4000	Total Liabilities and Fund Balances	$ 5,914	$ 1,156	$ 457	$ 180,832

211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	213 ESEA Title I Part B Even Start	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	242 Summer Feeding Program	244 Carl D Perkins Basic Grant	255 ESEA II, A Teacher/Prin Training
$ 149,462	$ -	$ 26,699	$ 14,565	$ -	$ 786,653	$ 7,541	$ 3,034
351,013	12,133	36,223	300,747	-	51,492	95,009	61,090
-	-	-	-	-	-	-	-
$ 500,475	$ 12,133	$ 62,922	$ 315,312	$ -	$ 838,145	$ 102,550	$ 64,124
$ 22,581	$ 10	$ 3,301	$ 32,747	$ -	$ -	$ 31,272	$ 33,291
182,399	8,243	15,591	120,697	-	-	371	-
295,495	3,880	44,030	161,868	-	76,734	70,907	30,833
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
500,475	12,133	62,922	315,312	-	76,734	102,550	64,124
-	-	-	-	-	761,411	-	-
-	-	-	-	-	761,411	-	-
$ 500,475	$ 12,133	$ 62,922	$ 315,312	$ -	$ 838,145	$ 102,550	$ 64,124

MIDLAND INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2010

Data Control Codes		256 ESEA, I, F Comprehensive School Reform	259 Library Supplement	262 Title II, D Education Technology	263 Title III, A English Lang. Acquisition
	ASSETS				
1110	Cash and Cash Equivalents	$ 10,109	$ 453	$ -	$ 3,369
1240	Receivables from Other Governments	-	-	649	20,110
1260	Due from Other Funds	-	-	-	-
1000	Total Assets	$ 10,109	$ 453	$ 649	$ 23,479
	LIABILITIES AND FUND BALANCES				
	Liabilities:				
2110	Accounts Payable	$ -	$ -	$ -	$ 14,934
2160	Accrued Wages Payable	-	-	-	4,298
2170	Due to Other Funds	-	96	649	4,247
2180	Due to Other Governments	-	-	-	-
2300	Deferred Revenues	10,109	357	-	-
2000	Total Liabilities	10,109	453	649	23,479
	Fund Balances:				
	Unreserved and Undesignated:				
3610	Reported in Special Revenue Funds	-	-	-	-
3000	Total Fund Balances	-	-	-	-
4000	Total Liabilities and Fund Balances	$ 10,109	$ 453	$ 649	$ 23,479

265 Title IV, B Community Learning	266 Title XIV ARRA State Stabilization	279 Title II, D ARRA - Ed. Technology	280 ESEA, X, C ARRA Homeless	290 ARRA Head Start	293 ARRA IDEA B Formula	294 ARRA IDEA B Preschool	295 ARRA Title I, Part A
$ -	$ 183,419	$ -	$ 21,497	$ -	$ 1,506	$ -	$ -
-	48,601	84,707	-	11,437	418,806	14,460	202,398
25,771	123,673	-	-	-	-	-	111,200
$ 25,771	$ 355,693	$ 84,707	$ 21,497	$ 11,437	$ 420,312	$ 14,460	$ 313,598
$ 25,771	$ 355,693	$ -	$ -	$ 3,206	$ -	$ 12,194	$ 309,139
-	-	-	239	6,695	29,642	-	4,405
-	-	84,707	20,448	1,536	390,670	2,266	54
-	-	-	-	-	-	-	-
-	-	-	810	-	-	-	-
25,771	355,693	84,707	21,497	11,437	420,312	14,460	313,598
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
$ 25,771	$ 355,693	$ 84,707	$ 21,497	$ 11,437	$ 420,312	$ 14,460	$ 313,598

MIDLAND INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2010

Data Control Codes		384 Texas After School Initiative	390 ESC Non-Ed Based Serv.	392 Investment Capital Funds	394 Life Skills Program
	ASSETS				
1110	Cash and Cash Equivalents	$ 39	$ -	$ -	$ -
1240	Receivables from Other Governments	2,840	1,025	-	-
1260	Due from Other Funds	-	-	-	-
1000	Total Assets	$ 2,879	$ 1,025	$ -	$ -
	LIABILITIES AND FUND BALANCES				
	Liabilities:				
2110	Accounts Payable	$ 1,920	$ -	$ -	$ -
2160	Accrued Wages Payable	-	-	-	-
2170	Due to Other Funds	959	1,025	-	-
2180	Due to Other Governments	-	-	-	-
2300	Deferred Revenues	-	-	-	-
2000	Total Liabilities	2,879	1,025	-	-
	Fund Balances:				
	Unreserved and Undesignated:				
3610	Reported in Special Revenue Funds	-	-	-	-
3000	Total Fund Balances	-	-	-	-
4000	Total Liabilities and Fund Balances	$ 2,879	$ 1,025	$ -	$ -

396 Advanced Placement/ Testing	399 Investment Capital Funds	401 Optional Extended Year Program	405 Meadows Foundation Grant	410 Hudson Foundation Grant	411 Technology Allotment	412 Intensive Technology	414 Student Sucess Initiative
$ 31,529	$ -	$ -	$ -	$ 46	$ 143,615	$ -	$ -
-	87	5,197	-	-	-	7,799	157,547
4,122	-	-	-	-	-	-	-
$ 35,651	$ 87	$ 5,197	$ -	$ 46	$ 143,615	$ 7,799	$ 157,547
$ 7,035	$ 87	$ 614	$ -	$ -	$ 17,567	$ 6,150	$ 35,300
-	-	-	-	-	-	-	6,992
1	-	4,583	-	-	-	1,649	115,255
-	-	-	-	-	26,516	-	-
28,615	-	-	-	46	-	-	-
35,651	87	5,197	-	46	44,083	7,799	157,547
-	-	-	-	-	99,532	-	-
-	-	-	-	-	99,532	-	-
$ 35,651	$ 87	$ 5,197	$ -	$ 46	$ 143,615	$ 7,799	$ 157,547

MIDLAND INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2010

Data Control Codes		415 Kindergarten and Pre-K Grants	422 Governors Ed Excellence Grant	424 District Award for Teachers	427 Read to Succeed
	ASSETS				
1110	Cash and Cash Equivalents	$ 2,143	$ 2,040	$ -	$ 32
1240	Receivables from Other Governments	89,237	-	4,023	110
1260	Due from Other Funds	-	-	-	32
1000	Total Assets	$ 91,380	$ 2,040	$ 4,023	$ 174
	LIABILITIES AND FUND BALANCES				
	Liabilities:				
2110	Accounts Payable	$ 13,830	$ -	$ -	$ 64
2160	Accrued Wages Payable	35,203	-	4,023	-
2170	Due to Other Funds	42,347	-	-	-
2180	Due to Other Governments	-	-	-	-
2300	Deferred Revenues	-	2,040	-	110
2000	Total Liabilities	91,380	2,040	4,023	174
	Fund Balances:				
	Unreserved and Undesignated:				
3610	Reported in Special Revenue Funds	-	-	-	-
3000	Total Fund Balances	-	-	-	-
4000	Total Liabilities and Fund Balances	$ 91,380	$ 2,040	$ 4,023	$ 174

446 Texas Fitness Now	492 State Farm Good Citizenship	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
$ -	$ -	$ 101,671	$ 1,490,898
10	-	-	2,157,719
8	-	-	270,720
$ 18	$ -	$ 101,671	$ 3,919,337
$ 18	$ -	$ 136	$ 949,318
-	-	-	577,560
-	-	-	1,361,378
-	-	-	26,516
-	-	-	42,087
18	-	136	2,956,859
-	-	101,535	962,478
-	-	101,535	962,478
$ 18	$ -	$ 101,671	$ 3,919,337

MIDLAND INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes		201 Teacher Training Prgm Math Works	203 Texas Statewide Tobacco Ed	204 ESEA Title IV Safe & Drug Free Schools	205 Head Start
	REVENUES:				
5700	Total Local and Intermediate Sources	$ -	$ -	$ -	$ -
5800	State Program Revenues	-	4,407	-	-
5900	Federal Program Revenues	84,600	-	97,492	2,065,077
5020	Total Revenues	84,600	4,407	97,492	2,065,077
	EXPENDITURES:				
	Current:				
0011	Instruction	(1,600)	-	76,094	1,280,110
0012	Instructional Resources and Media Services	-	-	-	55,543
0013	Curriculum and Instructional Staff Development	86,200	-	6,715	19,925
0021	Instructional Leadership	-	-	2,281	31,595
0023	School Leadership	-	-	-	185,577
0031	Guidance, Counseling and Evaluation Services	-	-	12,402	93,179
0033	Health Services	-	-	-	121,487
0034	Student (Pupil) Transportation	-	-	-	2,500
0035	Food Services	-	-	-	-
0036	Extracurricular Activities	-	-	-	-
0041	General Administration	-	-	-	1,295
0051	Facilities Maintenance and Operations	-	-	-	-
0053	Data Processing Services	-	-	-	-
0061	Community Services	-	4,407	-	273,866
6030	Total Expenditures	84,600	4,407	97,492	2,065,077
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
	OTHER FINANCING SOURCES (USES):				
7915	Transfers In	-	-	-	-
8949	Other (Uses)	-	-	-	-
7080	Total Other Financing Sources (Uses)	-	-	-	-
1200	Net Change in Fund Balance	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	$ -	$ -	$ -	$ -

211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	213 ESEA Title I Part B Even Start	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	242 Summer Feeding Program	244 Carl D Perkins Basic Grant	255 ESEA II, A Teacher/Prin Training
$ -	$ -	$ -	$ -	$ -	$ 1,034	$ -	$ -
-	-	-	-	-	-	-	-
4,464,719	100,788	202,524	2,865,836	82,207	135,577	341,156	1,155,202
4,464,719	100,788	202,524	2,865,836	82,207	136,611	341,156	1,155,202
3,566,519	57,548	-	1,859,816	82,207	-	310,335	-
81,527	-	-	-	-	-	-	-
385,607	-	-	54,362	-	-	16,224	1,148,407
180,750	13,133	-	596,823	-	-	14,414	-
58,108	-	-	361	-	-	-	6,795
3,585	-	-	326,919	-	-	183	-
-	-	-	10,798	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	97,741	-	-
-	-	-	20,409	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
188,623	30,107	202,524	2,724	-	-	-	-
4,464,719	100,788	202,524	2,872,212	82,207	97,741	341,156	1,155,202
-	-	-	(6,376)	-	38,870	-	-
-	-	-	6,376	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	6,376	-	-	-	-
-	-	-	-	-	38,870	-	-
-	-	-	-	-	722,541	-	-
$ -	$ -	$ -	$ -	$ -	$ 761,411	$ -	$ -

MIDLAND INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes		256 ESEA, I, F Comprehensive School Reform	259 Library Supplement	262 Title II, D Education Technology	263 Title III, A English Lang. Acquisition
	REVENUES:				
5700	Total Local and Intermediate Sources	$ -	$ -	$ -	$ -
5800	State Program Revenues	-	-	-	-
5900	Federal Program Revenues	-	-	43,720	202,959
5020	Total Revenues	-	-	43,720	202,959
	EXPENDITURES:				
	Current:				
0011	Instruction	-	-	2,013	141,773
0012	Instructional Resources and Media Services	-	-	-	-
0013	Curriculum and Instructional Staff Development	-	-	19,565	59,145
0021	Instructional Leadership	-	-	17,186	2,041
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	-	-	-	-
0053	Data Processing Services	-	-	4,956	-
0061	Community Services	-	-	-	-
6030	Total Expenditures	-	-	43,720	202,959
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
	OTHER FINANCING SOURCES (USES):				
7915	Transfers In	-	-	-	-
8949	Other (Uses)	-	-	-	-
7080	Total Other Financing Sources (Uses)	-	-	-	-
1200	Net Change in Fund Balance	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	$ -	$ -	$ -	$ -

265 Title IV, B Community Learning	266 Title XIV ARRA State Stabilization	279 Title II, D ARRA - Ed. Technology	280 ESEA, X, C ARRA Homeless	290 ARRA Head Start	293 ARRA IDEA B Formula	294 ARRA IDEA B Preschool	295 ARRA Title I, Part A
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-	-
-	5,407,284	104,131	20,687	114,128	2,084,503	43,208	1,025,608
-	5,407,284	104,131	20,687	114,128	2,084,503	43,208	1,025,608
-	(15,704)	104,131	-	55,263	1,364,604	43,208	212,548
-	-	-	-	-	-	-	-
-	-	-	-	2,985	719,899	-	757,814
-	-	-	-	1,408	-	-	12,967
-	-	-	-	-	-	-	26,577
-	-	-	-	-	-	-	-
-	-	-	-	49,509	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	5,422,988	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	20,687	4,963	-	-	15,702
-	5,407,284	104,131	20,687	114,128	2,084,503	43,208	1,025,608
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

MIDLAND INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes		384 Texas After School Initiative	390 ESC Non-Ed Based Serv.	392 Investment Capital Funds	394 Life Skills Program
	REVENUES:				
5700	Total Local and Intermediate Sources	$ -	$ -	$ -	$ -
5800	State Program Revenues	23,557	1,025	28,202	77,357
5900	Federal Program Revenues	-	-	-	-
5020	Total Revenues	23,557	1,025	28,202	77,357
	EXPENDITURES:				
	Current:				
0011	Instruction	-	1,025	1,140	-
0012	Instructional Resources and Media Services	-	-	-	-
0013	Curriculum and Instructional Staff Development	23,557	-	-	-
0021	Instructional Leadership	-	-	-	-
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	-	-	-	-
0053	Data Processing Services	-	-	-	-
0061	Community Services	-	-	27,062	77,357
6030	Total Expenditures	23,557	1,025	28,202	77,357
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
	OTHER FINANCING SOURCES (USES):				
7915	Transfers In	-	-	-	-
8949	Other (Uses)	-	-	-	-
7080	Total Other Financing Sources (Uses)	-	-	-	-
1200	Net Change in Fund Balance	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	$ -	$ -	$ -	$ -

396 Advanced Placement/ Testing	399 Investment Capital Funds	401 Optional Extended Year Program	405 Meadows Foundation Grant	410 Hudson Foundation Grant	411 Technology Allotment	412 Intensive Technology	414 Student Sucess Initiative
$ -	$ -	$ -	$ 645	$ 248	$ -	$ -	$ -
17,002	6,853	72,515	-	-	579,823	1,650	313,716
-	-	-	-	-	-	-	-
17,002	6,853	72,515	645	248	579,823	1,650	313,716
9,798	6,004	64,421	-	248	170,697	-	310,216
-	-	-	-	-	-	-	-
7,106	-	-	-	-	309,594	1,650	3,500
-	-	-	-	-	-	-	-
-	-	7,203	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
98	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	849	891	645	-	-	-	-
17,002	6,853	72,515	645	248	480,291	1,650	313,716
-	-	-	-	-	99,532	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	99,532	-	-
-	-	-	-	-	-	-	-
$ -	$ -	$ -	$ -	$ -	$ 99,532	$ -	$ -

MIDLAND INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes		415 Kindergarten and Pre-K Grants	422 Governors Ed Excellence Grant	424 District Award for Teachers	427 Read to Succeed
	REVENUES:				
5700	Total Local and Intermediate Sources	$ -	$ -	$ -	$ -
5800	State Program Revenues	630,305	-	572,625	326
5900	Federal Program Revenues	-	-	-	-
5020	Total Revenues	630,305	-	572,625	326
	EXPENDITURES:				
	Current:				
0011	Instruction	606,515	-	32	-
0012	Instructional Resources and Media Services	-	-	-	326
0013	Curriculum and Instructional Staff Development	23,790	-	415,825	-
0021	Instructional Leadership	-	-	-	-
0023	School Leadership	-	-	-	-
0031	Guidance, Counseling and Evaluation Services	-	-	156,768	-
0033	Health Services	-	-	-	-
0034	Student (Pupil) Transportation	-	-	-	-
0035	Food Services	-	-	-	-
0036	Extracurricular Activities	-	-	-	-
0041	General Administration	-	-	-	-
0051	Facilities Maintenance and Operations	-	-	-	-
0053	Data Processing Services	-	-	-	-
0061	Community Services	-	-	-	-
6030	Total Expenditures	630,305	-	572,625	326
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
	OTHER FINANCING SOURCES (USES):				
7915	Transfers In	-	-	-	-
8949	Other (Uses)	-	-	-	-
7080	Total Other Financing Sources (Uses)	-	-	-	-
1200	Net Change in Fund Balance	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	$ -	$ -	$ -	$ -

446 Texas Fitness Now	492 State Farm Good Citizenship	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
$ -	$ 2,000	$ 72,504	$ 76,431
22,223	-	-	2,351,586
-	-	-	20,641,406
22,223	2,000	72,504	23,069,423
16,395	-	-	10,325,356
-	-	-	137,396
5,828	2,000	86,829	4,156,527
-	-	-	872,598
-	-	-	284,621
-	-	-	593,036
-	-	-	181,794
-	-	-	2,500
-	-	-	97,741
-	-	41,661	62,168
-	-	-	1,295
-	-	-	5,422,988
-	-	-	4,956
-	-	-	850,407
22,223	2,000	128,490	22,993,383
-	-	(55,986)	76,040
-	-	55,531	61,907
-	-	(256,239)	(256,239)
-	-	(200,708)	(194,332)
-	-	(256,694)	(118,292)
-	-	358,229	1,080,770
$ -	$ -	$ 101,535	$ 962,478

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REQUIRED TEA SCHEDULES

MIDLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2010

Last 10 Years Ended August 31		(1) Tax Rates Maintenance	(2) Tax Rates Debt Service	(3) Assessed/Appraised Value for School Tax Purposes
2001	and prior years	$ 1.458700	$ 0.139000	$ 4,000,531,777
2002		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	0.142500	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	(School year under audit)	1.040050	0.112500	10,221,439,879
1000	TOTALS			

EXHIBIT J-1

(10) Beginning Balance 9/1/2009	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2010
$ 360,489	$ -	$ 7,971	$ 759	$ (108,322)	$ 243,437
126,690	-	2,765	203	(304)	123,418
55,959	-	(33,759)	(2,362)	(183)	91,897
146,488	-	(29,931)	(2,532)	(624)	178,327
187,179	-	(20,424)	(1,941)	(73,450)	136,094
133,278	-	13,546	1,151	22,913	141,494
294,875	-	48,412	4,642	14,371	256,192
364,872	-	146,278	24,568	43,738	237,764
1,490,406	-	919,357	110,504	32,806	493,351
-	114,450,578	101,514,436	10,979,398	(333,915)	1,622,829
$ 3,160,236	$ 114,450,578	$ 102,568,651	$ 11,114,390	$ (402,970)	$ 3,524,803

EXHIBIT J-2

MIDLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2011-2012
GENERAL AND SPECIAL REVENUE FUNDS
AUGUST 31, 2010

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	$ -	$ -	$ 409,249	$ 2,523,241	$ -	$ -	$ 2,932,490
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	31,288	-	-	-	-	-	31,288
6212	Audit Services	-	-	-	65,800	-	-	65,800
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	1,428,585	-	-	-	-	1,428,585
621X	Other Professional Services	-	-	9,536	31,527	-	-	41,063
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	300	452,286	-	-	452,586
6240	Contr. Maint. and Repair	-	-	-	-	4,349	-	4,349
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	-	-	-	-
6290	Miscellaneous Contr.	40,705	-	3,420	281,383	-	-	325,508
6320	Textbooks and Reading	-	-	-	-	348	-	348
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	6,234	-	11,284	102,113	-	-	119,631
6410	Travel, Subsistence, Stipends	31,755	-	14,700	76,572	-	-	123,027
6420	Ins. and Bonding Costs	-	-	-	118,588	-	-	118,588
6430	Election Costs	-	-	-	-	-	-	-
6490	Miscellaneous Operating	11,077	-	49,422	34,303	-	-	94,802
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	$ 121,059	$ 1,428,585	$ 497,911	$ 3,685,813	$ 4,697	$ -	$ 5,738,065

Total expenditures/expenses for General and Special Revenue Funds:		(9)	$ 181,705,822
LESS: Deductions of Unallowable Costs			
FISCAL YEAR			
Total Capital Outlay (6600)	(10)	$ 2,880,357	
Total Debt & Lease(6500)	(11)	-	
Plant Maintenance (Function 51, 6100-6400)	(12)	18,385,214	
Food (Function 35, 6341 and 6499)	(13)	3,595,949	
Stipends (6413)	(14)	-	
Column 4 (above) - Total Indirect Cost		3,685,813	
SubTotal:			28,547,333
Net Allowed Direct Cost			$ 153,158,489
CUMULATIVE			
Total Cost of Buildings before Depreciation (1520)		(15)	$ 243,777,330
Historical Cost of Building over 50 years old		(16)	$ 12,857,950
Amount of Federal Money in Building Cost (Net of #16)		(17)	$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)		(18)	$ 26,372,951
Historical Cost of Furniture & Equipment over 16 years old		(19)	$ 730,493
Amount of Federal Money in Furniture & Equipment (Net of #19)		(20)	$ 312,614

(8) NOTE A: $427,542 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.

EXHIBIT J-3

MIDLAND INDEPENDENT SCHOOL DISTRICT
FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
GENERAL FUND AS OF AUGUST 31, 2010

UNAUDITED

1	Total General Fund Balance as of 8/31/10 (Exhibit C-1 object 3000 for the General Fund Only)			$	34,145,407
2	Total Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund Only)	$	3,363,389		
3	Total Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund Only)		500,000		
4	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.)		27,203,175		
5	Estimate of two month's average cash disbursements during the fiscal year.		13,351,369		
6	Estimate of delayed payments from state sources (58xx).		-		
7	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount.		-		
8	Estimate of delayed payments from federal sources (59xx)		-		
9	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)		-		
10	Adjustment to meet Board Policy		-		
11	Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10)				44,417,933
12	Excess (Deficit) Undesignated Unreserved General Fund Balance (Line 1 minus Line 11)			$	(10,272,526)

EXHIBIT J-4

MIDLAND INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
BUDGET AND ACTUAL - NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 2,761,985	$ 2,761,985	$ 2,597,489	$ (164,496)
5800	State Program Revenues	58,000	58,000	60,040	2,040
5900	Federal Program Revenues	6,290,675	6,773,724	6,720,772	(52,952)
5020	Total Revenues	9,110,660	9,593,709	9,378,301	(215,408)
	EXPENDITURES:				
0035	Food Services	9,110,660	9,593,711	9,487,750	105,961
6030	Total Expenditures	9,110,660	9,593,711	9,487,750	105,961
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(2)	(109,449)	(109,447)
	OTHER FINANCING SOURCES (USES):				
7912	Sale of Real and Personal Property	-	-	366	366
7080	Total Other Financing Sources (Uses)	-	-	366	366
1200	Net Change in Fund Balances	-	(2)	(109,083)	(109,081)
0100	Fund Balance - September 1 (Beginning)	3,808,699	3,808,699	3,808,699	-
3000	Fund Balance - August 31 (Ending)	$ 3,808,699	$ 3,808,697	$ 3,699,616	$ (109,081)

EXHIBIT J-5

MIDLAND INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 11,019,800	$ 11,019,800	$ 11,257,407	$ 237,607
5020	Total Revenues	11,019,800	11,019,800	11,257,407	237,607
	EXPENDITURES:				
	Debt Service:				
0071	Debt Service - Principal on Long Term Debt	5,085,002	5,085,002	5,085,000	2
0072	Debt Service - Interest on Long Term Debt	5,930,698	5,930,698	5,874,798	55,900
0073	Debt Service - Bond Issuance Cost and Fees	4,100	4,100	4,100	-
6030	Total Expenditures	11,019,800	11,019,800	10,963,898	55,902
1200	Net Change in Fund Balances	-	-	293,509	293,509
0100	Fund Balance - September 1 (Beginning)	4,180,972	4,180,972	4,180,972	-
3000	Fund Balance - August 31 (Ending)	$ 4,180,972	$ 4,180,972	$ 4,474,481	$ 293,509

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FEDERAL AWARDS SECTION

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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, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 11, 2011. 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.

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Compliance and Other Matters

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

We noted certain matters that we reported to management of the District, in a separate letter dated January 11, 2011.

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 for filing with the TEA, 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 11, 2011

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO 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 the compliance of Midland Independent School District (the District), with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 2010. 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 requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2010.

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.

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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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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, the District's trustees, the audit committee, 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 11, 2011

MIDLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2010

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 (ies) identified that are not considered to be material weaknesses?	___ Yes	X No
Noncompliance material to financial statements noted?	___ Yes	X No

Federal Awards

Internal control over major programs:		
• Material weakness (es) identified?	___ Yes	X No
• Significant deficiency (ies) identified that are not considered to be material weakness (es)?	___ Yes	X None Reported
Type of auditor's report issued on compliance for major programs:	Unqualified	
• Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	___ Yes	X No

Identification of Major Programs:

CFDA Number(s)	Name of Federal Program or Cluster
93.600A	Headstart
93.708A	Headstart - ARRA
84.010A	Title I, Part A – Improving Basic Programs
84.389A	Title I, Part A - ARRA
84.011A	Title I, Part C - Migrant
84.027A	IDEA-B Formula
84.391A	IDEA-B Formula - ARRA
84.173A	IDEA-B Preschool
84.392A	IDEA-B Preschool - ARRA
84.318A	Title II, Part D
84.386A	Title II, Part D - ARRA
84.394A	Title XIV, SFSF - ARRA

Dollar threshold used to distinguish between type A and type B programs:	$908,475	
Auditee qualified as low-risk auditee?	___ Yes	X No

MIDLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2010

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
FOR THE 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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EXHIBIT K-1

MIDLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2010

(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			
Direct Programs			
Teacher Training Prgrm/Mathworks	84.116Z	P116Z090005	$ 84,600
Total Direct Programs			$ 84,600
Passed Through State Department of Education			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	10610101165901	$ 4,464,719
ESEA, Title I, Part C - Migratory Children	84.011A	10651501165901	100,788
IDEA - Part B, Formula	84.027	106600011659016000	2,872,212
Carl D Perkins Formula - Basic Grant	84.048A	10420006165901	341,156
IDEA - Part B, Preschool	84.173	106610011659016000	82,207
ESEA Title IV, Pt. A - Safe and Drug-Free Schools	84.186A	10691001165901	97,492
ESEA, Title I, Part B - Even Start Family Literacy	84.213C	106120017110388	202,524
Title II, Part D -Enhancing Ed. Through Technology	84.318X	10630001165901	43,720
Title III, Part A - English Language Acquisition	84.365A	10671001165901	202,959
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	10694501165901	1,155,202
Title II D Enhancing Ed. Through Technology - ARRA	84.386A	10553001165901	104,131
ESEA, Title X, Pt. C - ARRA Education for Homeless	84.387	A09-036	20,687
Title I, Part A - ARRA/Stimulus	84.389A	10551001165901	1,025,608
Idea B Formula - ARRA	84.391A	10554001165901	2,084,503
Idea B Preschool - ARRA/LEA	84.392A	10555001165091	43,208
Title XIV, State Fiscal Stabilization Fund - ARRA	84.394A	10557001165901	5,407,284
Total Passed Through State Department of Education			$ 18,248,400
TOTAL DEPARTMENT OF EDUCATION			$ 18,333,000
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through State Department of Education			
Head Start	93.600	06CH6994/40	$ 2,065,077
Head Start - ARRA	93.708	06SE6994/01	114,128
Total Passed Through State Department of Education			$ 2,179,205
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			$ 2,179,205
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through the State Department of Agriculture			
National School Lunch Program	10.555	165-1002	$ 9,487,750
Summer Feeding Program	10.559	165-1002	97,741
Total Passed Through the State Department of Agriculture			$ 9,585,491
TOTAL DEPARTMENT OF AGRICULTURE			$ 9,585,491
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 30,097,696

*Clustered Programs as required by Compliance Supplement March, 2010

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MIDLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2010

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	$ 1,409,060
200-499	Special Revenue Funds	27,362,178
		28,771,238
	Audit Period Expenditures From the Schedule of Expenditures of Federal Awards	$30,097,696

   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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