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MIDLAND INDEPENDENT SCHOOL DISTRICT

# ANNUAL FINANCIAL REPORT

for year ended

**August 31, 2009**



615 WEST MISSOURI  
MIDLAND, TEXAS 79701-5017

***Educating the Future!***

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MIDLAND INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2009

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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, 2009 at a meeting of the Board of Trustees of such school district on the 19th day of January, 2010.

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

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

CONFIDENTIAL

CONFIDENTIAL

CONFIDENTIAL

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**ELMS, FARIS & COMPANY, LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS**

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**INDEPENDENT AUDITORS' REPORT**

Board of Trustees  
Midland Independent School District  
615 West Missouri Avenue  
Midland, Texas 79701

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, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's Administration. Our responsibility is to express opinions on these 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 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 Midland Independent School District, as of August 31, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2010 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis and budgetary comparison information on pages 5 through 10 and 51 are not a required part of the basic financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements and the other schedules listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Texas Education Agency requires school districts to include certain information in the Annual Financial Report in conformity with laws and regulations of the State of Texas. This information is in exhibits identified in the Table of Contents as J-1 through J-5. Except for Exhibit J-3 (Fund Balance and Cash Flow Calculation Worksheet) which is marked UNAUDITED and on which we express no opinion, these schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Elms, Faris & Company, LLP*

Midland, Texas  
January 6, 2010

## Midland Independent School District

### MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Midland Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2009. 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 13 through 15). 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 16) 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 29) 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 increased from \$111,119,570 to \$111,740,619. Unrestricted net assets are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. Unrestricted Net Assets was \$38,700,766. This increase in total governmental net assets was mostly the result of increased capital assets, net of related debt.

**Table I**  
**Midland Independent School District**

<b>NET ASSETS</b>			
	Governmental Activities 2008	Governmental Activities 2009	Difference
Current and Other Assets	100,795,702	74,091,969	(26,703,733)
Capital Assets	168,240,466	188,772,499	20,532,033
Total Assets	269,036,168	262,864,468	(6,171,700)
Long-term Liabilities	137,394,445	131,828,671	(5,565,774)
Other Liabilities	20,522,153	19,295,178	(1,226,975)
Total Liabilities	157,916,598	151,123,849	(6,792,749)
Net Assets:			
Invested in Capital Assets Net of Debt	31,058,438	57,161,792	26,103,354
Restricted	40,847,584	15,878,061	(24,969,523)
Unrestricted	39,213,548	38,700,766	(512,782)
Total Net Assets	111,119,570	111,740,619	621,049

**Table II**  
**Midland Independent School District**

**CHANGES IN NET ASSETS**

	Governmental Activities 2008	Governmental Activities 2009	Difference
<b>Revenues:</b>			
<b>Program Revenues:</b>			
Charges for Services	2,872,569	3,307,661	435,092
Grants and Contributions	18,011,341	18,555,764	544,423
<b>General Revenues:</b>			
Maintenance and Operations Taxes	78,688,524	96,807,910	18,119,386
Debt Service Taxes	13,104,669	11,671,345	(1,433,324)
State Aid - Formula Grants	47,050,606	44,285,820	(2,764,786)
Grants and Contributions Not Restricted to Specific Functions	17,613,636	11,161,468	(6,452,168)
Investment Earnings	4,022,871	1,050,107	(2,972,764)
Miscellaneous	1,504,804	1,352,737	(152,067)
Total Revenue	182,869,020	188,192,812	5,323,792
<b>Expenses:</b>			
Instruction, Curriculum and Media Services	103,679,014	111,501,517	7,822,503
Instructional and School Leadership	11,010,742	11,034,824	24,082
Student Support Services	14,742,875	14,692,001	(50,874)
Child Nutrition	8,439,177	9,265,708	826,531
Cocurricular Activities	3,733,178	4,251,095	517,917
General Administration	4,466,289	4,833,400	367,111
Plant Maintenance, Security and Data Processing	21,720,767	24,534,226	2,813,459
Community Services	1,258,151	1,003,822	(254,329)
Debt Services	6,705,377	6,455,170	(250,207)
Total Expenses	175,755,570	187,571,763	11,816,193
Increase in Net Assets Before Transfers and Special Items	7,113,450	621,049	(6,492,401)
Transfers	-	-	-
Adjustment to Beginning Net Assets	-	-	-
Beginning Net Assets	104,006,120	111,119,570	7,113,450
Ending Net Assets	111,119,570	111,740,619	621,049

The District's total revenues increased approximately \$5 million, primarily due to increased property values. The total cost of all programs and services increased by \$11 million, mostly because of instructional initiatives and additional payroll costs. Please note that the total cost of capital assets must be de-expended from the fund financial statements and depreciated on the government wide financials, using the full accrual method of accounting. Please refer to reconciliations on C-2 and C-4. This adjustment results in periodic fluctuations in total operating costs depending on capital assets procured during a given fiscal year.

## THE DISTRICT'S FUNDS

As the District completed the year, the fund financial statements reported a combined fund balance of \$48.1 million, down \$24.3 million from 2008 (See Exhibit C-3). The decrease is primarily due to construction projects related to the 2007 series bonds.

Included in this year's total change in fund balance is a decrease of \$711,104 in the District's General Fund. As illustrated in Exhibit J-3, this leaves the District \$3.4 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 \$35.9 million reported on Exhibit G-1 differs from the General Fund's budgetary fund balance of \$30.5 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 2009, the District had \$188.7 million (Note E), 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 net increase of just over \$20 million, net of accumulated depreciation, from last year.

### Debt:

At year-end, the District had \$128.7 million in bonds and notes outstanding versus \$134.3 million last year (Note F). The district paid off \$5.8 million in principal this year and refunded \$4.6 million of outstanding debt. The District anticipates a savings of \$222 thousand with the new bond issuance.

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 anticipates some relief from federal ARRA funds for the 2009-2010 and 2010-2011 school year. Funding for ARRA has not been approved beyond 2011.
- Per the Texas Workforce Commission, the City of Midland had an unemployment rate of 5.9% up from 3.1% in the prior year. The state average was 8.1%. The U.S average was 9.6%.
- Management continues to monitor residential construction and attendance in high growth areas, which may affect zoning and staffing of area campuses. Bonds were issued in 2007 and construction began in 2008 to relieve some overcrowding in such areas, primarily on the North and West side elementary campuses. The construction should be completed in the 2009-2010 school year.
- The Cost of Living Index for Midland was 86% of the national average in 2009. 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 19,717, a decrease of approximately 140 students from the 2007-2008 school year.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

**FINANCIAL STATEMENTS**

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

Data Control Codes	1 Primary Government	4 Component Unit	
	Governmental Activities	Component Unit	
<b>ASSETS</b>			
1110	Cash and Cash Equivalents	\$ 8,630,470	\$ 77,715
1120	Current Investments	49,972,367	271,064
1220	Property Taxes Receivable (Delinquent)	3,160,236	-
1230	Allowance for Uncollectible Taxes	(505,638)	-
1240	Due from Other Governments	8,883,793	-
1290	Other Receivables, net	906,509	-
1300	Inventories	2,254,394	-
1410	Deferred Expenses	641,174	-
1420	Capitalized Bond and Other Debt Issuance Costs	148,664	-
	Capital Assets:		
1510	Land	9,044,015	-
1520	Buildings, Net	171,502,714	-
1530	Furniture and Equipment, Net	8,225,770	-
1000	<b>Total Assets</b>	<b>262,864,468</b>	<b>348,779</b>
<b>LIABILITIES</b>			
2110	Accounts Payable	6,491,148	-
2150	Payroll Deductions & Withholdings	237,507	-
2160	Accrued Wages Payable	2,908,260	-
2177	Due to Fiduciary Funds	21,434	-
2180	Due to Other Governments	16,996	-
2300	Deferred Revenues	1,975,297	-
2400	Payable from Restricted Assets	7,644,536	-
	Noncurrent Liabilities		
2501	Due Within One Year	5,199,426	-
2502	Due in More Than One Year	126,629,245	-
2000	<b>Total Liabilities</b>	<b>151,123,849</b>	<b>-</b>
<b>NET ASSETS</b>			
3200	Invested in Capital Assets, Net of Related Debt	57,161,792	-
3840	Restricted for Food Service	3,808,699	-
3850	Restricted for Debt Service	4,180,972	-
3860	Restricted for Capital Projects	3,140,509	-
3890	Restricted for Other Purposes	4,747,881	-
3900	Unrestricted Net Assets	38,700,766	348,779
3000	<b>Total Net Assets</b>	<b>\$ 111,740,619</b>	<b>\$ 348,779</b>

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, 2009**

Data Control Codes	1  Expenses	Program Revenues		
		3  Charges for Services	4  Operating Grants and Contributions	5  Capital Grants and Contributions
<b>Primary Government:</b>				
<b>GOVERNMENTAL ACTIVITIES:</b>				
11 Instruction	\$ 102,966,149	\$ 269,283	\$ 10,567,151	\$ 1,602,135
12 Instructional Resources and Media Services	2,726,456	-	216,763	-
13 Curriculum and Instructional Staff Development	5,808,912	-	3,043,845	-
21 Instructional Leadership	1,735,405	-	601,780	-
23 School Leadership	9,299,419	-	304,306	-
31 Guidance, Counseling and Evaluation Services	5,865,281	-	1,098,551	-
32 Social Work Services	125,337	-	-	-
33 Health Services	1,739,037	-	117,236	-
34 Student (Pupil) Transportation	6,962,346	-	2,500	88,119
35 Food Services	9,265,708	2,647,623	113,904	-
36 Extracurricular Activities	4,251,095	390,755	72,255	-
41 General Administration	4,833,400	-	4,919	-
51 Plant Maintenance and Operations	19,191,825	-	-	10,000
52 Security and Monitoring Services	874,964	-	-	-
53 Data Processing Services	4,467,437	-	-	-
61 Community Services	1,003,822	-	712,300	-
72 Debt Service - Interest on Long Term Debt	6,408,959	-	-	-
73 Debt Service - Bond Issuance Cost and Fees	46,211	-	-	-
<b>[TP] TOTAL PRIMARY GOVERNMENT:</b>	<b>\$ 187,571,763</b>	<b>\$ 3,307,661</b>	<b>\$ 16,855,510</b>	<b>\$ 1,700,254</b>
<b>Component Unit:</b>				
IC Nonmajor Component Unit	\$ 203,851	\$ -	\$ 221,065	\$ -
<b>[TC] TOTAL COMPONENT UNITS:</b>	<b>\$ 203,851</b>	<b>\$ -</b>	<b>\$ 221,065</b>	<b>\$ -</b>

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
FR	Transfers In (Out):
TR	Total General Revenues and Transfers
CN	Change in Net Assets
NB	Net Assets--Beginning
NE	Net Assets--Ending

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

Net (Expense) Revenue and  
Changes in Net Assets

6	9
Primary Government Governmental Activities	Component Unit Component Unit
\$ (90,527,580)	\$ -
(2,509,693)	-
(2,765,067)	-
(1,133,625)	-
(8,995,113)	-
(4,766,730)	-
(125,337)	-
(1,621,801)	-
(6,871,727)	-
(6,504,181)	-
(3,788,085)	-
(4,828,481)	-
(19,181,825)	-
(874,964)	-
(4,467,437)	-
(291,522)	-
(6,408,959)	-
(46,211)	-
<u>(165,708,338)</u>	<u>-</u>
-	17,214
-	<u>17,214</u>
96,807,910	-
11,671,345	-
55,447,288	-
1,050,107	5,984
1,352,727	-
10	-
<u>166,329,387</u>	<u>5,984</u>
621,049	23,198
111,119,570	325,581
<u>\$ 111,740,619</u>	<u>\$ 348,779</u>

MIDLAND INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2009

Data Control Codes	10 General Fund	20 National Sch Brkfst/Lunch	50 Debt Service Fund
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 5,842,156	\$ 29,768	\$ -
1120 Investments - Current	23,321,621	4,129,108	4,176,684
1220 Property Taxes - Delinquent	2,821,168	-	339,068
1230 Allowance for Uncollectible Taxes (Credit)	(451,387)	-	(54,251)
1240 Due from Other Governments	4,104,834	196,344	-
1260 Due from Other Funds	7,044,062	-	-
1290 Other Receivables	906,509	-	-
1300 Inventories	1,471,911	782,483	-
1410 Deferred Expenditures	641,174	-	-
1000 Total Assets	<u>\$ 45,702,048</u>	<u>\$ 5,137,703</u>	<u>\$ 4,461,501</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
2110 Accounts Payable	\$ 2,548,418	\$ 142,574	\$ 4,500
2150 Payroll Deductions and Withholdings Payable	237,507	-	-
2160 Accrued Wages Payable	2,781,098	127,162	-
2170 Due to Other Funds	70,725	1,054,677	-
2180 Due to Other Governments	-	-	16,996
2300 Deferred Revenues	4,123,875	4,591	259,033
2000 Total Liabilities	<u>9,761,623</u>	<u>1,329,004</u>	<u>280,529</u>
<b>Fund Balances:</b>			
<b>Reserved For:</b>			
3410 Investments in Inventory	1,471,911	782,483	-
3420 Retirement of Long Term Debt	-	-	4,180,972
3440 Outstanding Encumbrances	2,775,970	-	-
3450 Food Service	-	3,026,216	-
<b>Unreserved Designated For:</b>			
3530 Capital Expenditures for Equipment	500,000	-	-
<b>Unreserved and Undesignated:</b>			
3600 Reported in the General Fund	31,192,544	-	-
3610 Reported in Special Revenue Funds	-	-	-
3620 Reported in Capital Projects Funds	-	-	-
3000 Total Fund Balances	<u>35,940,425</u>	<u>3,808,699</u>	<u>4,180,972</u>
4000 Total Liabilities and Fund Balances	<u>\$ 45,702,048</u>	<u>\$ 5,137,703</u>	<u>\$ 4,461,501</u>

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

60 Capital Projects	Other Funds	Total Governmental Funds
\$ -	\$ 2,537,004	\$ 8,408,928
6,511,293	-	38,138,706
-	-	3,160,236
-	-	(505,638)
-	4,582,615	8,883,793
-	9,027	7,053,089
-	-	906,509
-	-	2,254,394
-	-	641,174
<u>\$ 6,511,293</u>	<u>\$ 7,128,646</u>	<u>\$ 68,941,191</u>
\$ 3,370,784	\$ 422,417	\$ 6,488,693
-	-	237,507
-	-	2,908,260
-	5,581,028	6,706,430
-	-	16,996
-	44,431	4,431,930
<u>3,370,784</u>	<u>6,047,876</u>	<u>20,789,816</u>
-	-	2,254,394
-	-	4,180,972
-	-	2,775,970
-	-	3,026,216
-	-	500,000
-	-	31,192,544
-	1,080,770	1,080,770
<u>3,140,509</u>	<u>-</u>	<u>3,140,509</u>
<u>3,140,509</u>	<u>1,080,770</u>	<u>48,151,375</u>
<u>\$ 6,511,293</u>	<u>\$ 7,128,646</u>	<u>\$ 68,941,191</u>

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

<b>Total Fund Balances - Governmental Funds</b>	\$	48,151,375
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.		4,040,119
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 \$247,058,840 and the accumulated depreciation was \$78,818,374. 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.		31,003,886
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 2009 capital outlays and debt principal payments is to increase net assets.		32,483,425
The 2009 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(6,394,819)
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.		2,456,633
<b>Net Assets of Governmental Activities</b>	<b>\$</b>	<b>111,740,619</b>

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, 2009**

Data Control Codes	10 General Fund	20 National Sch Brkfst/Lunch	50 Debt Service Fund
<b>REVENUES:</b>			
5700 Total Local and Intermediate Sources	\$ 99,365,929	\$ 2,696,121	\$ 11,736,066
5800 State Program Revenues	47,629,818	58,779	-
5900 Federal Program Revenues	1,357,528	6,495,279	-
5020 Total Revenues	<u>148,353,275</u>	<u>9,250,179</u>	<u>11,736,066</u>
<b>EXPENDITURES:</b>			
<b>Current:</b>			
0011 Instruction	87,395,658	-	-
0012 Instructional Resources and Media Services	2,341,157	-	-
0013 Curriculum and Instructional Staff Development	2,635,549	-	-
0021 Instructional Leadership	1,353,566	-	-
0023 School Leadership	8,753,632	-	-
0031 Guidance, Counseling and Evaluation Services	4,723,181	-	-
0032 Social Work Services	124,576	-	-
0033 Health Services	1,591,935	-	-
0034 Student (Pupil) Transportation	6,173,990	-	-
0035 Food Services	-	9,030,374	-
0036 Extracurricular Activities	4,715,778	-	-
0041 General Administration	4,793,998	-	-
0051 Facilities Maintenance and Operations	18,460,033	-	-
0052 Security and Monitoring Services	880,473	-	-
0053 Data Processing Services	4,481,063	-	-
0061 Community Services	281,792	-	-
<b>Debt Service:</b>			
0071 Debt Service - Principal on Long Term Debt	18,565	-	5,830,000
0072 Debt Service - Interest on Long Term Debt	47,019	-	6,148,439
0073 Debt Service - Bond Issuance Cost and Fees	-	-	37,020
<b>Capital Outlay:</b>			
0081 Facilities Acquisition and Construction	134,667	-	-
6030 Total Expenditures	<u>148,906,632</u>	<u>9,030,374</u>	<u>12,015,459</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(553,357)</u>	<u>219,805</u>	<u>(279,393)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
7911 Capital Related Debt Issued (Regular Bonds)	-	-	4,635,000
7915 Transfers In	-	-	-
8940 Payment to Bond Refunding Escrow Agent (Use)	-	-	(4,634,990)
8949 Other (Uses)	(157,747)	-	-
7080 Total Other Financing Sources (Uses)	<u>(157,747)</u>	<u>-</u>	<u>10</u>
1200 Net Change in Fund Balances	<u>(711,104)</u>	<u>219,805</u>	<u>(279,383)</u>
0100 Fund Balance - September 1 (Beginning)	<u>36,651,529</u>	<u>3,588,894</u>	<u>4,460,355</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 35,940,425</u>	<u>\$ 3,808,699</u>	<u>\$ 4,180,972</u>

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

60 Capital Projects	Other Funds	Total Governmental Funds
\$ 261,597	\$ 97,271	\$ 114,156,984
-	3,954,439	51,643,036
-	14,486,685	22,339,492
<u>261,597</u>	<u>18,538,395</u>	<u>188,139,512</u>
-	12,169,286	99,564,944
-	216,763	2,557,920
-	3,043,845	5,679,394
-	601,780	1,955,346
-	304,306	9,057,938
-	1,098,551	5,821,732
-	-	124,576
-	117,236	1,709,171
-	90,619	6,264,609
-	113,904	9,144,278
-	72,255	4,788,033
-	4,919	4,798,917
-	10,000	18,470,033
-	-	880,473
-	-	4,481,063
-	712,300	994,092
-	-	5,848,565
-	-	6,195,458
-	-	37,020
<u>23,985,356</u>	<u>-</u>	<u>24,120,023</u>
<u>23,985,356</u>	<u>18,555,764</u>	<u>212,493,585</u>
<u>(23,723,759)</u>	<u>(17,369)</u>	<u>(24,354,073)</u>
-	-	4,635,000
-	157,747	157,747
-	-	(4,634,990)
-	-	(157,747)
<u>-</u>	<u>157,747</u>	<u>10</u>
<u>(23,723,759)</u>	<u>140,378</u>	<u>(24,354,063)</u>
<u>26,864,268</u>	<u>940,392</u>	<u>72,505,438</u>
<u>\$ 3,140,509</u>	<u>\$ 1,080,770</u>	<u>\$ 48,151,375</u>



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

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$ (24,354,063)
The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The net loss of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net assets.	(1,166,784)
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 2009 capital outlays and debt principal payments is to decrease net assets.	32,483,425
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.	(6,394,819)
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.	53,290
<b>Change in Net Assets of Governmental Activities</b>	\$ 621,049

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, 2009

	Internal Service Fund
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 221,542
Investments - Current	11,833,661
Due from Other Funds	25,451
Total Assets	12,080,654
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	2,455
Due to Other Funds	393,544
Payable from Restricted Assets	7,644,536
Total Liabilities	8,040,535
<b>NET ASSETS</b>	
Unrestricted Net Assets	4,040,119
Total Net Assets	\$ 4,040,119

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, 2009

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	Internal Service Fund
<b>OPERATING REVENUES</b>	
Local and Intermediate Sources	\$ 14,766,105
Total Operating Revenues	14,766,105
<b>OPERATING EXPENSES:</b>	
Payroll Costs	170,878
Supplies and Materials	3,592
Other Operating Costs	15,889,530
Total Operating Expenses	16,064,000
Operating Loss	(1,297,895)
<b>NONOPERATING REVENUE (EXPENSES):</b>	
Earnings from Investments	131,111
Change in Net Assets	(1,166,784)
Total Net Assets - September 1 (Beginning)	5,206,903
Total Net Assets - August 31 (Ending)	\$ 4,040,119

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, 2009

	Internal Service Fund
<b>Cash Flow from Operating Activities:</b>	
Cash Receipts from Quasi-external Operating Activities with Other Funds	\$ 14,907,200
Cash Payments to Suppliers for Goods and Benefits	(16,014,688)
Net Cash Used For Operating Activities	(1,107,488)
<b>Cash Flows from Investing Activities:</b>	
Interest on Investments	131,111
Net Decrease in Cash and Investments	(976,377)
Cash and Investments at the Beginning of Year	13,031,580
Cash and Investments at the End of the Year	\$ 12,055,203
<b><u>Reconciliation of Operating Loss to Net Cash Used For Operating Activities:</u></b>	
Operating Loss	\$ (1,297,895)
<b>Effect of Increases and Decreases in Current Assets and Liabilities</b>	
Decrease in Receivables	139,260
Decrease in Accounts Payable	(2,667)
Increase in Due to Other Funds	235,398
Increase in Payable from Restricted Assets	(181,584)
Net Cash Used For Operating Activities	\$ (1,107,488)

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, 2009

	Private Purpose Trust Funds	Employee Benefits Trust Fund	Student Activity Fund
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 62,834	\$ 263,646	\$ 594,971
Investments - Current	350,138	466,806	-
Due From Other Funds	-	61,698	-
Other Receivables	1,915	482,483	-
Total Assets	<u>\$ 414,887</u>	<u>\$ 1,274,633</u>	<u>\$ 594,971</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ -	\$ 709,739	\$ 14,863
Due to Other Funds	22,566	17,698	-
Due to Student Groups	-	-	580,108
Due to Employees	-	-	-
Payable from Restricted Assets	392,321	547,196	-
Total Liabilities	<u>\$ 414,887</u>	<u>\$ 1,274,633</u>	<u>\$ 594,971</u>
<b>NET ASSETS</b>			
Unrestricted Net Assets	\$ -		
Total Net Assets	<u>\$ -</u>		

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

MIDLAND INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
AUGUST 31, 2009

	Beginning Balance	Additions	Deletions	Ending Balance
<b>PRIVATE PURPOSE TRUST FUNDS</b>				
Cash and Cash Equivalents	\$ 9,475	\$ 79,097	\$ 25,738	\$ 62,834
Investments - Current	346,695	3,443	-	350,138
Other Receivables	-	1,915	-	1,915
Total Assets	<u>\$ 356,170</u>	<u>\$ 84,455</u>	<u>\$ 25,738</u>	<u>\$ 414,887</u>
Due to Other Funds	\$ 22,566	\$ -	\$ -	\$ 22,566
Payable from Restricted Assets	333,604	84,455	25,738	392,321
Total Liabilities	<u>\$ 356,170</u>	<u>\$ 84,455</u>	<u>\$ 25,738</u>	<u>\$ 414,887</u>
<b>EMPLOYEE BENEFITS TRUST FUND</b>				
Cash and Cash Equivalents	\$ 204,248	\$ 77,516	\$ 18,118	\$ 263,646
Investments - Current	462,216	4,590	-	466,806
Due from Other Funds	61,698	-	-	61,698
Other Receivables	456,954	25,529	-	482,483
Total Assets	<u>\$ 1,185,116</u>	<u>\$ 107,635</u>	<u>\$ 18,118</u>	<u>\$ 1,274,633</u>
Accounts Payable	\$ 653,058	\$ 74,409	\$ 17,728	\$ 709,739
Due from Other Funds	10,392	7,306	-	17,698
Payable from Restricted Assets	521,666	25,530	-	547,196
Total Liabilities	<u>\$ 1,185,116</u>	<u>\$ 107,245</u>	<u>\$ 17,728</u>	<u>\$ 1,274,633</u>
<b>STUDENT ACTIVITY FUNDS</b>				
Cash and Cash Equivalents	\$ 525,078	\$ 1,874,458	\$ 1,804,565	\$ 594,971
Total Assets	<u>\$ 525,078</u>	<u>\$ 1,874,458</u>	<u>\$ 1,804,565</u>	<u>\$ 594,971</u>
Accounts Payable	\$ 9,107	\$ 33,986	\$ 28,230	\$ 14,863
Due to Student Groups	515,971	1,840,472	1,776,335	580,108
Total Liabilities	<u>\$ 525,078</u>	<u>\$ 1,874,458</u>	<u>\$ 1,804,565</u>	<u>\$ 594,971</u>

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

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MIDLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2009

**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. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

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

Interfund activities between governmental funds 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.

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**

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 some times 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 expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included 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 Fund is the scholarship fund.
6. **Pension (and Other 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**

1. 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.
2. 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.
3. 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.

4. 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, 2009, the District's liability for unused sick leave is \$3,116,130.
5. Capital assets including land, buildings, furniture and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as items with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Buildings, furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building Improvements	40
Buses	10
Other Vehicles	5
Office Equipment	5
Computer Equipment	5

6. 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.

**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 a 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:

<b>Capital Outlays &amp; Long-Term Debt:</b>	<b>Amount</b>
Additions - Furniture & Equipment	\$ (3,096,209)
Additions - Buildings & Improvements	(23,934,543)
Deletions - Land	2,900
Deletions - Capital Leases	101,000
Amortization of Debt Issuance Costs	9,201
Compensated Absence - Addition	69,300
Capital Lease Principal Payments	(18,565)
Bond Principal Issue net of Payments	(5,616,509)
<b>Total Adjustment to Net Assets</b>	<b>\$ (32,483,425)</b>

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:

<b>Reclassifications:</b>	<b>Amount</b>
Adjustments to Taxes - General Levy	\$ 145,095
Adjustments to Taxes - Debt Service Levy	(91,805)
<b>Total Adjustments to Beginning Net Assets</b>	<b>\$ 53,290</b>

**III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**BUDGETARY DATA**

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund. 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.

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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**

###### **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 2008-2009 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, 2009, 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 than 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.

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

<u>Investment</u>	<u>Rating</u>	<u>Amount Invested at Fair Market Value</u>
TexPool	AAA-m per Standard & Poor	\$ 14,369,432
TexPool Prime	AAA-m per Standard & Poor	\$ 31,086,199
Lone Star	AAA-m per Standard & Poor	\$ 5,333,682

c. Interest Rate Risk – Interest Rate Risk exists when market fluctuations will adversely affect the fair value of the District’s investment portfolio. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The sensitivity of the fair values of the District’s investments to market interest rate fluctuations is shown as follows:

<u>Investment</u>	<u>Weighted Average Maturity (1)</u>	<u>Weighted Average Maturity (2)</u>
TexPool	44 days	69 days
TexPool Prime	38 days	66 days
Lone Star	49 days	53 days

- 1) To arrive at weighted average maturity, the maturity of floating and variable rate securities was determined in accordance with SEC Rule 2a-7. This rule specifies that a floating rate security to be paid in 397 calendar days or less shall be deemed to have a next day maturity; and a variable rate security to be paid in 397 calendar days or less shall be deemed to have a maturity equal to the period remaining until the next interest rate adjustment.
- 2) To arrive at weighted average maturity, the maturity of floating rate and variable rate securities was deemed to be the final maturity of such securities.

## **B. PROPERTY TAXES**

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

Current year tax collections are credited to the appropriate fund as per the tax rate ordinance approved by the Board of Trustees. For the fiscal year ended August 31, 2009, the rates were \$1.04005 for maintenance and \$.125000 for debt service respectively, per \$100 of assessed value.

## **C. 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 16.0 percent of the outstanding property taxes at August 31, 2009.



**D. INTERFUND RECEIVABLES AND PAYABLES**

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

	General Fund	Special Revenue	Debt Service	Capital Projects	Internal Service	Trust & Agency	Total
Due From General Fund	\$ -----	\$ 9,027	\$ -----	\$ -----	\$ -----	\$ 61,698	\$ 70,725
Due From Special Revenue Funds	6,610,254	-----	-----	-----	25,451	-----	6,635,705
Due From Debt Service Fund	-----	-----	-----	-----	-----	-----	-----
Due From Capital Projects Fund	-----	-----	-----	-----	-----	-----	-----
Due From Enterprise Funds	-----	-----	-----	-----	-----	-----	-----
Due From Internal Service Funds	393,544	-----	-----	-----	-----	-----	393,544
Due From Trust & Agency Funds	40,264	-----	-----	-----	-----	-----	40,264
<b>Total Due From</b>	<b>\$ 7,044,062</b>	<b>\$ 9,027</b>	<b>\$ -----</b>	<b>\$ -----</b>	<b>\$ 25,451</b>	<b>\$ 61,698</b>	<b>\$ 7,140,238</b>
Due To General Fund	\$ -----	\$ 6,610,254	\$ -----	\$ -----	\$ 393,544	\$ 40,264	\$ 7,044,062
Due To Special Revenue Funds	9,027	-----	-----	-----	-----	-----	9,027
Due To Debt Service Fund	-----	-----	-----	-----	-----	-----	-----
Due To Capital Projects Fund	-----	-----	-----	-----	-----	-----	-----
Due To Enterprise Funds	-----	-----	-----	-----	-----	-----	-----
Due To Internal Service Funds	-----	25,451	-----	-----	-----	-----	25,451
Due To Trust & Agency Funds	61,698	-----	-----	-----	-----	-----	61,698
<b>Total Due To</b>	<b>\$ 70,725</b>	<b>\$ 6,635,705</b>	<b>\$ -----</b>	<b>\$ -----</b>	<b>\$ 393,544</b>	<b>\$ 40,264</b>	<b>\$ 7,140,238</b>

Interfund transfers for the year ended August 31, 2009 consisted of the following amounts:

<b>Transfers Out</b>		<b>Totals</b>
General Fund		
Carol M White Physical Ed Prgm	\$ 85,170	
Storytelling Fund	\$ 72,577	
Sub Total - General Fund		<u>157,747</u>
<b>Total - Transfers Out</b>		<b>\$ 157,747</b>
<b>Transfers In</b>		<b>Totals</b>
Special Revenue Funds		
Carol M White Physical Ed Prgm	\$ 85,170	
Storytelling Fund	72,577	
Sub Total - Special Revenue Funds		<u>\$ 157,747</u>
<b>Total - Transfers In</b>		<b>\$ 157,747</b>

**E. CAPITAL ASSET ACTIVITY**

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

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
<b>Governmental Activities:</b>				
Land	\$ 9,046,915	\$ -----	\$ (2,900)	\$ 9,044,015 ✓
Buildings and Improvements	208,887,225	33,330,004	-----	242,217,229 ✓
Construction in Progress	9,395,461	-----	(9,395,461)	-----
Furniture and Equipment	19,628,239	3,174,710	(78,501)	22,724,448 ✓
Leased Property Under Capital Leases	101,000	-----	(101,000)	-----
<b>Totals at Historic Cost</b>	<b>247,058,840</b>	<b>36,504,714</b>	<b>(9,577,862)</b>	<b>273,985,692</b> ✓
			<b>Current Depreciation</b>	
<b>Less Accumulated Depreciation:</b>				
Buildings and Improvements	(66,068,705)		(4,645,810)	(70,714,515)
Furniture and Equipment	(12,662,136)		(1,836,542)	(14,498,678)
Leased Property Under Capital Leases	(87,533)		87,533	-----
<b>Total Accumulated Depreciation</b>	<b>(78,818,374)</b>		<b>(6,394,819)</b>	<b>(85,213,193)</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$168,240,466</b>	<b>\$ 36,504,714</b>	<b>\$ (15,972,681)</b>	<b>\$188,772,499</b>

<b>Depreciation expense was charged to governmental functions as follows:</b>	<b>Amount</b>
Instruction	\$ (3,889,182)
Instructional Resources and Media Services	(148,202)
Curriculum Development and Instructional Staff Development	(115,404)
Instructional Leadership	(6,078)
School Leadership	(174,004)
Guidance, Counseling and Evaluation Services	(7,728)
Health Services	(16,348)
Student (Pupil) Transportation	(615,523)
Food Services	(132,234)
Cocurricular/Extracurricular Activities	(399,396)
General Administration	(32,893)
Plant Maintenance and Operations	(792,429)
Security and Monitoring Service	(31,158)
Data Processing Services	(34,240)
<b>Total Adjustment to Net Assets (See C-2 and C-4)</b>	<b>\$ (6,394,819)</b>

**F. BONDS PAYABLE**

Bonded indebtedness of the District is reflected in the General Long-Term Debt Account Group. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund.

A summary of changes in general long-term debt for the year ended August 31, 2009 is as follows:

Date of Issue	Series	Interest Rate	Amount of Original Issue	Amount o/s 8/31/2008	Issued	Accretion/Amortization	Retired Current Year	Amount o/s 8/31/2009
7/2/01	1997	3.5-4.625%	6,055,000	990,000	-----	-----	70,000	920,000
4/1/99	1997A	4-5.5%	9,855,000	4,735,000	-----	-----	4,735,000	-----
11/15/98	1998	4.75-5%	20,450,000	1,255,000	-----	-----	1,255,000	-----
5/20/03	2003 <sup>(1)</sup>	2.75%	2,470,000	2,470,000	-----	-----	-----	2,470,000
5/20/03	2003	4.0-5.25%	53,095,000	48,115,000	-----	-----	2,615,000	45,500,000
6/20/04	2004	4.28-4.51%	2,555,000	2,010,356	-----	89,194	-----	2,099,550
6/26/04	2004	5.00%	25,285,000	24,935,000	-----	-----	55,000	24,880,000
6/26/06	2006	4-4.5%	13,655,000	13,240,000	-----	-----	850,000	12,390,000
6/26/06	2006	4.14%	1,110,000	646,234	-----	131,442	-----	777,676
7/10/07	2007	4.25-5.0%	37,035,000	35,932,460	-----	(11,827)	810,000	35,110,633
6/06/09	2009	2.5-4.0%	3,415,000	-----	3,372,694	-----	75,000	3,297,694
6/06/09	2009	1.30%	1,340,000	-----	1,262,296	4,692	-----	1,266,988
<b>Total</b>				<b>\$ 134,329,050</b>	<b>\$ 4,634,990</b>	<b>\$ 213,501</b>	<b>\$ 10,465,000</b>	<b>\$ 128,712,541</b>

(1) Capital Appreciation Bonds

Debt service requirements are as follows:

Year	Principal	Interest	Total
2010	\$ 4,948,517	\$ 5,925,763	\$ 10,874,280
2011	5,414,482	5,674,341	11,088,823
2012	5,695,805	5,584,639	11,280,444
2013	3,795,063	5,534,689	9,329,752
2014	3,900,849	5,435,303	9,336,152
Thereafter	104,957,825	49,918,531	154,876,356
<b>Total</b>	<b>\$ 128,712,541</b>	<b>\$ 78,073,266</b>	<b>\$ 206,785,807</b>

Bonded indebtedness of the District is reflected in the General Long-Term Debt Account Group, 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 will be 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 Long-Term Debt Group. 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 a current 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 have been removed from the Long-Term Debt Group. 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 a current 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 Long Term Debt Group. 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, 2009.

## G. ACCUMULATED UNPAID SICK LEAVE BENEFITS

The District has adopted a policy to reimburse, upon retirement of employees, who have a minimum of ten years experience with the District, accrued sick leave up to 30 days. Any sick leave in excess of the 30-day accumulation is budgeted and paid within the current period. At August 31, 2009, the District's liability for unused sick leave is \$3,116,130.

## H. DEFINED BENEFIT PENSION PLAN

**Plan Description.** Midland Independent School District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 7701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publications heading.

**Funding Policy.** State law provides for fiscal years 2007, 2008, and 2009 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, 2007, 2008 and 2009 were \$5,408,295, \$5,343,369, and \$5,411,086 respectively. Midland Independent School District paid additional state contributions for the years ended August 31, 2007, 2008, and 2009 in the amount of \$1,911,947, \$2,218,460, and \$2,418,729, respectively, on the portion of the employees' salaries that exceeded the statutory minimum.

## I. HEALTH CARE COVERAGE

The District sponsors a modified self-insurance plan to provide health care benefits to staff members and their dependents. Transactions related to the plan are accounted for in the Health Insurance Fund (the "Fund"), an internal service fund of the District. Partial staff member contributions are required for personal coverage and total staff member contributions are required for coverage of dependents. The District obtained excess loss insurance, which limited annual claims paid from the Fund for the year ended August 31, 2009, 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, 2009, are reflected as accounts and claims payable of the Fund. The plan is funded to discharge liabilities of the Fund as they become due.

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

	<b>Year Ended</b> <b>August 31, 2008</b>	<b>Year Ended</b> <b>August 31, 2009</b>
Unpaid claims, beginning of the year	\$ 3,898,979	\$ 4,918,945
Incurred claims/changes in estimates (including IBNR'S)	12,900,270	13,209,420
Claim Payments	<u>(11,880,304)</u>	<u>(13,209,420)</u>
Unpaid claims, end of fiscal year	<u>\$ 4,918,945</u>	<u>\$ 4,918,945</u>

**J. CHANGES IN NONCURRENT LIABILITIES**

Long-term activity for the year ended August 31, 2009, was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
<b>Governmental Activities:</b>				
Bonds and Notes Payable	\$ 5,675,611	\$ -----	\$ (727,094)	\$ 4,948,517
Capital Leases	18,565	-----	(18,565)	-----
Compensated Absences	262,231	-----	(11,322)	250,909
<b>Total Noncurrent Liabilities Due Within One Year</b>	<b>\$ 5,956,407</b>	<b>\$ -----</b>	<b>\$ (756,981)</b>	<b>\$ 5,199,426</b>
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
<b>Governmental Activities:</b>				
Bonds and Notes Payable	\$ 128,653,439	\$ 4,848,491	\$ (9,737,906)	\$ 123,764,024
Capital Leases	-----	-----	-----	-----
Compensated Absences	2,784,599	80,622	-----	2,865,221
<b>Total Noncurrent Liabilities Due In More Than One Year</b>	<b>\$ 131,438,038</b>	<b>\$ 4,929,113</b>	<b>\$ (9,737,906)</b>	<b>\$ 126,629,245</b>
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
<b>Governmental Activities:</b>				
Bonds and Notes Payable	\$ 134,329,050	\$ 4,848,491	\$ (10,465,000)	\$ 128,712,541
Capital Leases	18,565	-----	(18,565)	-----
Compensated Absences	3,046,830	80,622	(11,322)	3,116,130
<b>Total Noncurrent Liabilities</b>	<b>\$ 137,394,445</b>	<b>\$ 4,929,113</b>	<b>\$ (10,494,887)</b>	<b>\$ 131,828,671</b>

**K. OPERATING LEASES**

The District leases copiers and other equipment under noncancelable 4 year operating leases. Total costs for such leases were \$452,500 for the year ended August 31, 2009. The future minimum lease payments for these leases are as follows:

Year Ending August 31,	
2010	\$ 376,929
2011	376,929
2012	376,929
2013	376,929
	<hr/>
<b>Total</b>	<b>\$ 1,507,716</b>

**L. DEFERRED REVENUE**

Deferred revenue at August 31, 2009 consisted of the following:

	<b>General Fund</b>	<b>Special Revenue Funds</b>	<b>Debt Service Fund</b>	<b>Total</b>
Net Tax Revenue	\$ 2,197,600	\$ -----	\$ 259,033	\$ 2,456,633
Gate Receipts	180,201	-----	-----	180,201
Reserve for Litigation	1,701,107	-----	-----	1,701,107
F/S Commodities	-----	4,591	-----	4,591
Title IV, Mini Grant	-----	4,407	-----	4,407
ESEA Title I, Comprehensive	-----	10,109	-----	10,109
Library Supplement	-----	357	-----	357
Title III, Part	-----	2,998	-----	2,998
Advanced Placement	-----	23,511	-----	23,511
Meadows Foundation Grant	-----	645	-----	645
Hudson Foundation	-----	294	-----	294
Read to Succeed	-----	110	-----	110
State Farm – Good Citizenship	-----	2,000	-----	2,000
Miscellaneous	44,967	-----	-----	44,967
<b>Total</b>	<b>\$ 4,123,875</b>	<b>\$ 49,022</b>	<b>\$ 259,033</b>	<b>\$ 4,431,930</b>

**M. DUE FROM OTHER GOVERNMENTS**

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

<b>Description</b>	<b>Amount</b>
General Fund	\$ 4,104,834
Food Service	196,344
Summer Feeding Program	181,898
Head Start	535,831
Head Start - ARRA	525
Teacher Training Program	10,400
ESEA Title IV – Safe & Drug Free Sch	6,672
ESEA Title I, A- Improving Basic Prgs	100,335
ESEA Title I, C - Migrant	148
Even Start Family Literacy	106,216
IDEA, Part B, Formula	130,447
IDEA, Part B, Discretionary Deaf	10,305
Carl D Perkins – Basic Grant	5,732
ESEA Title II, A-Teacher Prin. Training	67,065
Title XIV, State Stabilization	15,704
Summer School LEP	7,185
Idea B Formula - ARRA	1,307,157
Title I, Part A - ARRA	885,504
Optional Extended Year Program	81,776
Accelerated Reading Instruction Prg	536,144
Life Skills Grant	83,775
Investment Capital Grants	29,169
Investment Capital Grants	26,564
Intensive Technology	6,150
Kindergarten and Pre-K Grant	184,252
Governors Ed Excellence Grant	3,367
District Award for Teachers	247,912
Texas Fitness Now Grant	12,382
<b>Total</b>	<b>\$ 8,883,793</b>



**N. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES**

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

	<b>General Fund</b>	<b>Special Revenue Funds</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Total</b>
Property Taxes	\$96,807,910	\$ -----	\$ 11,671,345	\$ -----	\$108,479,255
Penalties, Interest and Other Tax-related Income	763,737	-----	-----	-----	763,737
Investment Income	542,676	50,002	64,721	261,597	918,996
Food Sales	-----	2,649,038	-----	-----	2,649,038
Co-curricular/Extra-curricular Student Activities	-----	-----	-----	-----	-----
Other	1,251,606	94,352	-----	-----	1,345,958
<b>Total</b>	<b>\$99,365,929</b>	<b>\$ 2,793,392</b>	<b>\$ 11,736,066</b>	<b>\$ 261,597</b>	<b>\$114,156,984</b>

**O. CONTINGENT LIABILITIES**

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

In the opinion of management, the District has materially complied with all requirements. However, since such programs are subject to future audit or review, the possibility of disallowed expenditures exists. In the event of such disallowance of claimed expenditures, the District does not expect the resulting liability to have a material adverse effect on its combined financial statements at August 31, 2009.

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

**P. CONSTRUCTION COMMITMENTS**

As of August 31, 2009 the District had construction project commitments as follows:

Name of Project	Contract Amount	Expended to Date	Balance of Contract
Lee High School Field House Project	\$ 3,240,830	\$ 3,089,617	\$ 151,213
Midland High School Field House Project	3,150,239	3,040,101	110,138
Bowie Magnet Project	4,458,848	3,486,483	972,365
Dezavala Elementary Project	1,424,409	1,053,829	370,580
Fannin Elementary Project	3,005,182	2,855,344	149,838
Henderson Elementary Project	2,933,687	2,334,269	599,418
Santa Rita & Houston Elementary Project	6,023,845	5,960,550	63,295
Milam Elementary Project	3,212,100	2,411,656	800,444
Travis Elementary Project	2,534,708	2,412,212	122,496
Scharbauer Elementary Project	3,679,358	3,071,244	608,114
Greathouse Elementary Project	2,572,060	2,541,155	30,905
Portable Buildings	323,362	152,405	170,957
<b>Total</b>	<b>\$ 36,558,628</b>	<b>\$ 32,408,865</b>	<b>\$ 4,149,763</b>

**Q. MAINTENANCE OF EFFORT**

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

- a) Total District Premium paid for health care 2008-09 \$9,179,874
- b) Subtract any non-medical expenditures Life Insurance (27,011)
- c) 2008-09 Maintenance of Effort \$9,152,863

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

**R. EMPLOYEE DEFINED CONTRIBUTION PLAN**

The District participates in a matching annuity plan for the benefit of its employees. The District matches the employees' contributions to the maximum of 3.0%. The percentage contributed by the District is determined annually by the Board of Trustees. Participants begin to vest in benefits after 3 years and become fully vested after 5 years. Participants are 100% vested in their personal contributions at all times. At August 31, 2009, 1,508 employees participated in the plan and the District contributed \$1,763,677.

**S. WORKER'S COMPENSATION**

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

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

Beginning in 1997, the District changed from a self-funded worker's compensation plan to an outside provider for their worker's compensation coverage. The District remains liable for claims incurred prior to August 31, 1997 under the self-funded plan. These run-off claims amount to approximately \$272,344 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, 2009, the accrued liabilities for worker's compensation self-insurance of \$2,725,591 includes estimated incurred but not reported claims.

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

Fiscal Year	Claims
2000	139
2001	332
2002	314
2003	298
2004	291
2005	287
2006	290
2007	196
2008	110
2009	24
<b>10 Year Average</b>	<b>228</b>

Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
2008	2,898,658	521,671	513,154	2,907,175
2009	2,907,175	180,900	362,484	2,725,591

#### T. 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 2009, 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.

#### U. 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, 2009.

#### V. NEW ACCOUNTING PRONOUNCEMENTS

The GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type* is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. This new statement becomes effective in fiscal year 2010, and will be reflected in the financials.

**REQUIRED SUPPLEMENTARY INFORMATION**

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**MIDLAND INDEPENDENT SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2009**

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 102,686,768	\$ 99,975,453	\$ 99,365,929	\$ (609,524)
5800	State Program Revenues	43,528,091	46,538,581	47,629,818	1,091,237
5900	Federal Program Revenues	460,000	1,059,686	1,357,528	297,842
5020	Total Revenues	146,674,859	147,573,720	148,353,275	779,555
<b>EXPENDITURES:</b>					
<b>Current:</b>					
0011	Instruction	86,120,046	87,412,054	87,395,658	16,396
0012	Instructional Resources and Media Services	2,361,080	2,405,780	2,341,157	64,623
0013	Curriculum and Instructional Staff Development	2,282,078	3,046,906	2,635,549	411,357
0021	Instructional Leadership	1,137,939	1,408,450	1,353,566	54,884
0023	School Leadership	9,109,776	8,875,219	8,753,632	121,587
0031	Guidance, Counseling and Evaluation Services	4,621,634	4,756,903	4,723,181	33,722
0032	Social Work Services	183,545	207,520	124,576	82,944
0033	Health Services	1,661,817	1,695,199	1,591,935	103,264
0034	Student (Pupil) Transportation	8,391,271	7,645,313	6,173,990	1,471,323
0036	Extracurricular Activities	3,832,252	4,914,884	4,715,778	199,106
0041	General Administration	4,802,393	5,074,841	4,793,998	280,843
0051	Facilities Maintenance and Operations	19,015,264	19,600,012	18,460,033	1,139,979
0052	Security and Monitoring Services	886,383	916,789	880,473	36,316
0053	Data Processing Services	1,848,431	5,026,476	4,481,063	545,413
0061	Community Services	371,950	296,877	281,792	15,085
<b>Debt Service:</b>					
0071	Debt Service - Principal on Long Term Debt	1,981	27,108	18,565	8,543
0072	Debt Service - Interest on Long Term Debt	47,019	47,019	47,019	-
<b>Capital Outlay:</b>					
0081	Facilities Acquisition and Construction	-	179,560	134,667	44,893
6030	Total Expenditures	146,674,859	153,536,910	148,906,632	4,630,278
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(5,963,190)	(553,357)	5,409,833
<b>OTHER FINANCING SOURCES (USES):</b>					
8949	Other (Uses)	-	(153,605)	(157,747)	(4,142)
7080	Total Other Financing Sources (Uses)	-	(153,605)	(157,747)	(4,142)
1200	Net Change in Fund Balances	-	(6,116,795)	(711,104)	5,405,691
0100	Fund Balance - September 1 (Beginning)	36,651,529	36,651,529	36,651,529	-
3000	Fund Balance - August 31 (Ending)	\$ 36,651,529	\$ 30,534,734	\$ 35,940,425	\$ 5,405,691

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THE FEDERAL BUREAU OF INVESTIGATION  
DEPARTMENT OF JUSTICE  
WASHINGTON, D. C. 20535  
MAY 19 1964

TO : DIRECTOR, FBI (100-442611)  
FROM : SAC, NEW YORK (100-100000)  
SUBJECT: [Illegible]

RE: [Illegible]

NY 100-100000-1000

[Illegible]

**COMBINING SCHEDULES**

[Illegible]

[Illegible]



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

Data Control Codes	201 Teacher Training Program	202 Carol M White Physical Ed Program	203 Texas Statewide Tobacco Ed
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ -	\$ -	\$ 6,735
1240 Due from Other Governments	10,400	-	-
1260 Due from Other Funds	-	-	-
1000 Total Assets	<u>\$ 10,400</u>	<u>\$ -</u>	<u>\$ 6,735</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
2110 Accounts Payable	\$ 10,400	\$ -	\$ 2,328
2170 Due to Other Funds	-	-	-
2300 Deferred Revenues	-	-	4,407
2000 Total Liabilities	<u>10,400</u>	<u>-</u>	<u>6,735</u>
<b>Fund Balances:</b>			
<b>Unreserved and Undesignated:</b>			
3610 Reported in Special Revenue Funds	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 10,400</u>	<u>\$ -</u>	<u>\$ 6,735</u>

EXHIBIT H-1 (Cont'd)

204 ESEA Title IV Safe & Drug Free Schools	205 Head Start	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	213 Even Start Family Literacy	224 IDEA - Part B Formula	225 IDEA- Part B Preschool	226 IDEA - Part B Discretionary
\$ 15,009	\$ 1,007	\$ 38,646	\$ 7,506	\$ -	\$ 517,488	\$ -	\$ -
6,672	535,831	100,335	148	106,216	130,447	-	10,305
-	-	-	-	-	-	-	-
<u>\$ 21,681</u>	<u>\$ 536,838</u>	<u>\$ 138,981</u>	<u>\$ 7,654</u>	<u>\$ 106,216</u>	<u>\$ 647,935</u>	<u>\$ -</u>	<u>\$ 10,305</u>
\$ 6,371	\$ 23,042	\$ 82,716	\$ -	\$ 14,663	\$ 19,595	\$ -	\$ 3,052
15,310	513,796	56,265	7,654	91,553	628,340	-	7,253
-	-	-	-	-	-	-	-
<u>21,681</u>	<u>536,838</u>	<u>138,981</u>	<u>7,654</u>	<u>106,216</u>	<u>647,935</u>	<u>-</u>	<u>10,305</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 21,681</u>	<u>\$ 536,838</u>	<u>\$ 138,981</u>	<u>\$ 7,654</u>	<u>\$ 106,216</u>	<u>\$ 647,935</u>	<u>\$ -</u>	<u>\$ 10,305</u>

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

Data Control Codes	227 IDEA - Part B Deaf	228 IDEA - Part B Preschool Deaf	242 Summer Feeding Program	244 CarlD Perkins Basic	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ 571,160	\$ 32,281
1240	Due from Other Governments	-	-	181,898	5,732
1260	Due from Other Funds	-	-	-	-
1000	<b>Total Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 753,058</u>	<u>\$ 38,013</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ 864
2170	Due to Other Funds	-	-	30,517	37,149
2300	Deferred Revenues	-	-	-	-
2000	<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>30,517</u>	<u>38,013</u>
<b>Fund Balances:</b>					
<b>Unreserved and Undesignated:</b>					
3610	Reported in Special Revenue Funds	-	-	722,541	-
3000	<b>Total Fund Balances</b>	<u>-</u>	<u>-</u>	<u>722,541</u>	<u>-</u>
4000	<b>Total Liabilities and Fund Balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 753,058</u>	<u>\$ 38,013</u>

255 ESEA II, A Teacher/Prin Training	256 ESEA, I, F Comprehensive School Reform	259 Library Supplement	262 Title II, D Education Technology	263 Title III, A English Lang. Acquisition	266 Title XIV ARRA State Stabilization	284 Air Force Junior ROTC	285 Secure Our Schools - Digital Eyes
\$ 119,032	\$ 10,109	\$ 453	\$ -	\$ 64,464	\$ -	\$ 3,442	\$ -
67,065	-	-	-	-	15,704	-	-
-	-	-	706	-	-	-	-
<u>\$ 186,097</u>	<u>\$ 10,109</u>	<u>\$ 453</u>	<u>\$ 706</u>	<u>\$ 64,464</u>	<u>\$ 15,704</u>	<u>\$ 3,442</u>	<u>\$ -</u>
\$ 727	\$ -	\$ -	\$ 706	\$ -	\$ 15,704	\$ -	\$ -
185,370	-	96	-	61,466	-	3,442	-
-	10,109	357	-	2,998	-	-	-
<u>186,097</u>	<u>10,109</u>	<u>453</u>	<u>706</u>	<u>64,464</u>	<u>15,704</u>	<u>3,442</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 186,097</u>	<u>\$ 10,109</u>	<u>\$ 453</u>	<u>\$ 706</u>	<u>\$ 64,464</u>	<u>\$ 15,704</u>	<u>\$ 3,442</u>	<u>\$ -</u>

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

Data Control Codes	289 Summer School LEP	290 Head Start ARRA	293 IDEA B Formula ARRA	295 Title I Part A ARRA
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1240 Due from Other Governments	7,185	525	1,307,157	885,504
1260 Due from Other Funds	-	-	-	-
1000 Total Assets	<u>\$ 7,185</u>	<u>\$ 525</u>	<u>\$ 1,307,157</u>	<u>\$ 885,504</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
2110 Accounts Payable	\$ -	\$ 525	\$ 13,706	\$ 74,871
2170 Due to Other Funds	7,185	-	1,293,451	810,633
2300 Deferred Revenues	-	-	-	-
2000 Total Liabilities	<u>7,185</u>	<u>525</u>	<u>1,307,157</u>	<u>885,504</u>
<b>Fund Balances:</b>				
<b>Unreserved and Undesignated:</b>				
3610 Reported in Special Revenue Funds	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 7,185</u>	<u>\$ 525</u>	<u>\$ 1,307,157</u>	<u>\$ 885,504</u>

EXHIBIT H-1 (Cont'd)

386 State Deaf	392 Investment Capital Funds	394 Life Skills Grnt-Student/ Parents	396 Advanced Placement/ Testing	397 Investment Capital Funds	399 Investment Capital Funds	401 Optional Extended Year Program	405 Meadows Foundation Grant
\$ -	\$ 4,643	\$ -	\$ 18,666	\$ 372	\$ 6,557	\$ -	\$ 645
-	29,169	83,775	-	-	26,564	81,776	-
-	-	-	8,237	-	-	-	-
<u>\$ -</u>	<u>\$ 33,812</u>	<u>\$ 83,775</u>	<u>\$ 26,903</u>	<u>\$ 372</u>	<u>\$ 33,121</u>	<u>\$ 81,776</u>	<u>\$ 645</u>
\$ -	\$ 5,120	\$ 40,783	\$ 3,392	\$ -	\$ -	\$ -	\$ -
-	28,692	42,992	-	372	33,121	81,776	-
-	-	-	23,511	-	-	-	645
-	33,812	83,775	26,903	372	33,121	81,776	645
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 33,812</u>	<u>\$ 83,775</u>	<u>\$ 26,903</u>	<u>\$ 372</u>	<u>\$ 33,121</u>	<u>\$ 81,776</u>	<u>\$ 645</u>

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

Data Control Codes	406 Accelerated Reading Program	410 Hudson Foundation Grant	411 Technology Allotment	412 Intensive Technology	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ 1,000	\$ 15,000	\$ 545,610	\$ -
1240	Due from Other Governments	536,144	-	-	6,150
1260	Due from Other Funds	-	-	-	-
1000	<b>Total Assets</b>	<u>\$ 537,144</u>	<u>\$ 15,000</u>	<u>\$ 545,610</u>	<u>\$ 6,150</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
2110	Accounts Payable	\$ -	\$ -	\$ 19,133	\$ 6,150
2170	Due to Other Funds	537,144	14,706	526,477	-
2300	Deferred Revenues	-	294	-	-
2000	<b>Total Liabilities</b>	<u>537,144</u>	<u>15,000</u>	<u>545,610</u>	<u>6,150</u>
<b>Fund Balances:</b>					
<b>Unreserved and Undesignated:</b>					
3610	Reported in Special Revenue Funds	-	-	-	-
3000	<b>Total Fund Balances</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	<b>Total Liabilities and Fund Balances</b>	<u>\$ 537,144</u>	<u>\$ 15,000</u>	<u>\$ 545,610</u>	<u>\$ 6,150</u>

EXHIBIT H-1 (Cont'd)

413 Telecom Infrastruct. Fund	414 Texas Accelerated Science	415 Kindergarten and Pre-K Grants	419 Texas Summer - 9th Grade Trans	421 T-Stem	422 Governors Ed Excellence Grant	423 Texas High School Allotment	424 District Award for Teachers
\$ -	\$ -	\$ 1,864	\$ -	\$ -	\$ -	\$ 450,911	\$ -
-	-	184,252	-	-	3,367	-	247,912
84	-	-	-	-	-	-	-
<u>\$ 84</u>	<u>\$ -</u>	<u>\$ 186,116</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,367</u>	<u>\$ 450,911</u>	<u>\$ 247,912</u>
\$ 84	\$ -	\$ -	\$ -	\$ -	\$ 3,367	\$ 74,662	\$ -
-	-	186,116	-	-	-	120,010	247,912
-	-	-	-	-	-	-	-
<u>84</u>	<u>-</u>	<u>186,116</u>	<u>-</u>	<u>-</u>	<u>3,367</u>	<u>194,672</u>	<u>247,912</u>
-	-	-	-	-	-	256,239	-
-	-	-	-	-	-	256,239	-
<u>\$ 84</u>	<u>\$ -</u>	<u>\$ 186,116</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,367</u>	<u>\$ 450,911</u>	<u>\$ 247,912</u>



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

Data Control Codes	427	428	446 Texas Fitness NOW	492 State Farm Good Citizenship
	Read to Succeed	Advanced Placement		
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ 110	\$ -	\$ -	\$ 2,000
1240 Due from Other Governments	-	-	12,382	-
1260 Due from Other Funds	-	-	-	-
1000 Total Assets	<u>\$ 110</u>	<u>\$ -</u>	<u>\$ 12,382</u>	<u>\$ 2,000</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
2110 Accounts Payable	\$ -	\$ -	\$ 456	\$ -
2170 Due to Other Funds	-	-	11,926	-
2300 Deferred Revenues	110	-	-	2,000
2000 Total Liabilities	<u>110</u>	<u>-</u>	<u>12,382</u>	<u>2,000</u>
Fund Balances:				
Unreserved and Undesignated:				
3610 Reported in Special Revenue Funds	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 110</u>	<u>\$ -</u>	<u>\$ 12,382</u>	<u>\$ 2,000</u>

499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
\$ 102,294	\$ 2,537,004
-	4,582,615
-	9,027
<u>\$ 102,294</u>	<u>\$ 7,128,646</u>
\$ -	\$ 422,417
304	5,581,028
-	44,431
<u>304</u>	<u>6,047,876</u>
<u>101,990</u>	<u>1,080,770</u>
<u>101,990</u>	<u>1,080,770</u>
<u>\$ 102,294</u>	<u>\$ 7,128,646</u>

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

Data Control Codes	201 Teacher Training Program	202 Carol M White Physical Ed Program	203 Texas Statewide Tobacco Ed
<b>REVENUES:</b>			
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	4,793
5900 Federal Program Revenues	10,400	(85,170)	-
5020 Total Revenues	<u>10,400</u>	<u>(85,170)</u>	<u>4,793</u>
<b>EXPENDITURES:</b>			
<b>Current:</b>			
0011 Instruction	10,400	-	-
0012 Instructional Resources and Media Services	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	-
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	-	-	-
0061 Community Services	-	-	4,793
6030 Total Expenditures	<u>10,400</u>	<u>-</u>	<u>4,793</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(85,170)</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
7915 Transfers In	-	85,170	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>85,170</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

204 ESEA Title IV Safe & Drug Free Schools	205 Head Start	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	213 Even Start Family Literacy	224 IDEA - Part B Formula	225 IDEA- Part B Preschool	226 IDEA - Part B Discretionary
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
60,689	1,990,901	4,727,670	102,645	176,316	3,665,760	83,622	11,396
<u>60,689</u>	<u>1,990,901</u>	<u>4,727,670</u>	<u>102,645</u>	<u>176,316</u>	<u>3,665,760</u>	<u>83,622</u>	<u>11,396</u>
25,810	1,238,970	3,923,412	54,522	-	2,352,545	83,622	11,396
-	54,964	159,229	-	-	-	-	-
12,041	17,309	319,622	6,000	-	267,881	-	-
20,232	-	134,145	13,276	-	411,221	-	-
-	164,018	74,661	-	21,849	1,288	-	-
2,606	89,018	-	-	-	502,870	-	-
-	109,274	-	-	-	7,962	-	-
-	2,500	-	-	-	88,119	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	31,323	-	-
-	4,919	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	309,929	116,601	28,847	154,467	2,551	-	-
<u>60,689</u>	<u>1,990,901</u>	<u>4,727,670</u>	<u>102,645</u>	<u>176,316</u>	<u>3,665,760</u>	<u>83,622</u>	<u>11,396</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Data Control Codes	227 IDEA - Part B Deaf	228 IDEA - Part B Preschool Deaf	242 Summer Feeding Program	244 CarlD Perkins Basic
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ 2,925	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	16,596	3,894	181,898	276,380
5020 Total Revenues	<u>16,596</u>	<u>3,894</u>	<u>184,823</u>	<u>276,380</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
0011 Instruction	16,596	3,894	-	197,942
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	-	33,393
0021 Instructional Leadership	-	-	-	19,337
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	25,708
0033 Health Services	-	-	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	113,904	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0061 Community Services	-	-	-	-
6030 Total Expenditures	<u>16,596</u>	<u>3,894</u>	<u>113,904</u>	<u>276,380</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>70,919</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	70,919	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>651,622</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 722,541</u>	<u>\$ -</u>

255 ESEA II, A Teacher/Prin Training	256 ESEA, I, F Comprehensive School Reform	259 Library Supplement	262 Title II, D Education Technology	263 Title III, A English Lang. Acquisition	266 Title XIV ARRA State Stabilization	284 Air Force Junior ROTC	285 Secure Our Schools - Digital Eyes
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	(14,558)	-	-	-	-
962,639	-	-	-	72,136	15,704	2,838	10,000
<u>962,639</u>	<u>-</u>	<u>-</u>	<u>(14,558)</u>	<u>72,136</u>	<u>15,704</u>	<u>2,838</u>	<u>10,000</u>
9,309	-	-	-	62,474	15,704	2,838	-
-	-	-	-	-	-	-	-
935,282	-	-	(14,558)	5,797	-	-	-
-	-	-	-	3,485	-	-	-
18,048	-	-	-	-	-	-	-
-	-	-	-	380	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	10,000
-	-	-	-	-	-	-	-
<u>962,639</u>	<u>-</u>	<u>-</u>	<u>(14,558)</u>	<u>72,136</u>	<u>15,704</u>	<u>2,838</u>	<u>10,000</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Data Control Codes	289 Summer School LEP	290 Head Start ARRA	293 IDEA B Formula ARRA	295 Title I Part A ARRA
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	7,185	525	1,307,157	885,504
5020 Total Revenues	<u>7,185</u>	<u>525</u>	<u>1,307,157</u>	<u>885,504</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	7,185	525	848,738	877,561
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	458,419	7,943
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	-	-	-	-
0061 Community Services	-	-	-	-
6030 Total Expenditures	<u>7,185</u>	<u>525</u>	<u>1,307,157</u>	<u>885,504</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

386 State Deaf	392 Investment Capital Funds	394 Life Skills Grnt-Student/ Parents	396 Advanced Placement/ Testing	397 Investment Capital Funds	399 Investment Capital Funds	401 Optional Extended Year Program	405 Meadows Foundation Grant
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 486
102,898	41,073	76,865	15,338	-	34,730	81,776	-
-	-	-	-	-	-	-	-
<u>102,898</u>	<u>41,073</u>	<u>76,865</u>	<u>15,338</u>	<u>-</u>	<u>34,730</u>	<u>81,776</u>	<u>486</u>
102,898	-	-	7,392	-	-	79,564	-
-	-	-	-	-	-	-	-
-	25,589	-	7,946	-	32,453	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	2,212	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	15,484	76,865	-	-	2,277	-	486
<u>102,898</u>	<u>41,073</u>	<u>76,865</u>	<u>15,338</u>	<u>-</u>	<u>34,730</u>	<u>81,776</u>	<u>486</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



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

Data Control Codes	406 Accelerated Reading Program	410 Hudson Foundation Grant	411 Technology Allotment	412 Intensive Technology
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ 14,706	\$ -	\$ -
5800 State Program Revenues	629,449	-	564,784	116,626
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	<u>629,449</u>	<u>14,706</u>	<u>564,784</u>	<u>116,626</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
0011 Instruction	629,449	14,706	223,915	-
0012 Instructional Resources and Media Services	-	-	1,864	-
0013 Curriculum and Instructional Staff Development	-	-	348,289	116,626
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	-	-	-	-
0061 Community Services	-	-	-	-
6030 Total Expenditures	<u>629,449</u>	<u>14,706</u>	<u>574,068</u>	<u>116,626</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>(9,284)</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	(9,284)	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>9,284</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

413 Telecom Infrastruct. Fund	414 Texas Accelerated Science	415 Kindergarten and Pre-K Grants	419 Texas Summer - 9th Grade Trans	421 T-Stem	422 Governors Ed Excellence Grant	423 Texas High School Allotment	424 District Award for Teachers
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	8,688	398,996	6,848	19,735	161,239	1,443,357	247,912
-	-	-	-	-	-	-	-
-	8,688	398,996	6,848	19,735	161,239	1,443,357	247,912
-	8,688	398,996	6,848	16,442	139,268	788,275	-
-	-	-	-	-	596	-	-
-	-	-	-	3,293	-	199,888	173,116
-	-	-	-	-	-	84	-
-	-	-	-	-	21,375	855	-
-	-	-	-	-	-	403,173	74,796
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	8,688	398,996	6,848	19,735	161,239	1,392,275	247,912
-	-	-	-	-	-	51,082	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	51,082	-
-	-	-	-	-	-	205,157	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 256,239	\$ -

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

Data Control Codes	427 Read to Succeed	428 Advanced Placement	446 Texas Fitness NOW	492 State Farm Good Citizenship
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	110	18	13,762	-
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	<u>110</u>	<u>18</u>	<u>13,762</u>	<u>-</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	-	18	9,384	-
0012 Instructional Resources and Media Services	110	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	4,378	-
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	-	-	-	-
0061 Community Services	-	-	-	-
6030 Total Expenditures	<u>110</u>	<u>18</u>	<u>13,762</u>	<u>-</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
\$ 79,154	\$ 97,271
-	3,954,439
-	14,486,685
<u>79,154</u>	<u>18,538,395</u>
-	12,169,286
-	216,763
83,138	3,043,845
-	601,780
-	304,306
-	1,098,551
-	117,236
-	90,619
-	113,904
40,932	72,255
-	4,919
-	10,000
-	712,300
<u>124,070</u>	<u>18,555,764</u>
<u>(44,916)</u>	<u>(17,369)</u>
<u>72,577</u>	<u>157,747</u>
<u>72,577</u>	<u>157,747</u>
27,661	140,378
<u>74,329</u>	<u>940,392</u>
<u>\$ 101,990</u>	<u>\$ 1,080,770</u>

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**REQUIRED TEA SCHEDULES**

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

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2000 and prior years	\$ 1.398700	\$ 0.110000	\$ 3,934,717,125
2001	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 (School year under audit)	1.040050	0.125000	9,622,129,854
1000 TOTALS			

	(10) Beginning Balance 9/1/2008	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2009
\$	407,119	\$ -	\$ 13,074	\$ 1,028	\$ (160,093)	\$ 232,924
	132,197	-	2,755	262	(1,615)	127,565
	134,751	-	(32,463)	(2,380)	(42,904)	126,690
	106,091	-	7,434	520	(42,178)	55,959
	225,888	-	33,102	2,800	(43,498)	146,488
	222,237	-	58,723	5,582	29,247	187,179
	265,547	-	77,123	6,552	(48,594)	133,278
	565,225	-	191,107	18,325	(60,918)	294,875
	1,215,735	-	567,942	95,387	(187,534)	364,872
	-	109,246,553	95,449,055	11,472,705	(834,387)	1,490,406
<b>\$</b>	<b>3,274,790</b>	<b>\$ 109,246,553</b>	<b>\$ 96,367,852</b>	<b>\$ 11,600,781</b>	<b>\$ (1,392,474)</b>	<b>\$ 3,160,236</b>



**MIDLAND INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2010-2011**  
**GENERAL AND SPECIAL REVENUE FUNDS**  
**AUGUST 31, 2009**

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

Account Number	Account Name	1	2	3	4	5	6	7
		(702) School Board	(703) Tax Collections	(701) Supt's Office	(750) Indirect Cost	(720) Direct Cost	(other) Miscellaneous	Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 338,468	\$ 2,213,710	\$ -	\$ -	\$ 2,552,178
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	58,241	-	-	-	-	-	58,241
6212	Audit Services	-	-	-	62,300	-	-	62,300
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	1,292,082	-	-	-	-	1,292,082
621X	Other Professional Services	-	-	2,021	28,154	-	-	30,175
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	135	349,449	-	-	349,584
6240	Contr. Maint. and Repair	-	-	-	-	24,827	-	24,827
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	-	-	-	-
6290	Miscellaneous Contr.	6,671	-	400	144,454	-	-	151,525
6320	Textbooks and Reading	-	-	-	-	221	-	221
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	17,437	-	5,998	113,259	-	-	136,694
6410	Travel, Subsistence, Stipends	30,813	-	25,242	76,980	-	-	133,035
6420	Ins. and Bonding Costs	-	-	-	119,424	-	-	119,424
6430	Election Costs	11,934	-	-	-	-	-	11,934
6490	Miscellaneous Operating	2,937	-	46,871	120,926	-	-	170,734
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	22,633	22,633
6000	<b>TOTAL</b>	<b>\$ 128,033</b>	<b>\$ 1,292,082</b>	<b>\$ 419,135</b>	<b>\$ 3,228,656</b>	<b>\$ 25,048</b>	<b>\$ 22,633</b>	<b>\$ 5,115,587</b>

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 176,492,770

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10) \$ 3,798,777
Total Debt & Lease(6500)	(11) 66,584
Plant Maintenance (Function 51, 6100-6400)	(12) 18,230,859
Food (Function 35, 6341 and 6499)	(13) 3,563,578
Stipends (6413)	(14) -
Column 4 (above) - Total Indirect Cost	3,228,656

SubTotal:

28,888,454

Net Allowed Direct Cost

\$ 147,604,316

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15) \$ 242,217,229
Historical Cost of Building over 50 years old	(16) \$ 11,979,534
Amount of Federal Money in Building Cost (Net of #16)	(17) \$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18) \$ 22,724,449
Historical Cost of Furniture & Equipment over 16 years old	(19) \$ 630,203
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20) \$ 312,614

(8) NOTE A: \$321,589 in Function 53 expenditures are included in this report on administrative costs.

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

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

**UNAUDITED**

1	Total General Fund Balance as of 8/31/09 (Exhibit C-1 object 3000 for the General Fund Only)	\$ 35,940,425
2	Total Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund Only)	\$ 4,247,881
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.)	19,432,244
5	Estimate of one month's average cash disbursements during the regular school session (9/1/09-5/31/10).	13,214,111
6	Estimate of delayed payments from state sources (58xx) including August payment delays	-
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)	2,000,000
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	Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9)	<u>39,394,236</u>
11	Excess (Deficit) Undesignated Unreserved General Fund Balance (Line 1 minus Line 10)	<u>\$ (3,453,811)</u>

**MIDLAND INDEPENDENT SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
BUDGET AND ACTUAL - NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM  
FOR THE YEAR ENDED AUGUST 31, 2009**

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 2,740,529	\$ 2,714,127	\$ 2,696,121	\$ (18,006)
5800	State Program Revenues	60,000	58,779	58,779	-
5900	Federal Program Revenues	5,976,625	6,321,596	6,495,279	173,683
5020	Total Revenues	8,777,154	9,094,502	9,250,179	155,677
<b>EXPENDITURES:</b>					
0035	Food Services	8,777,154	9,280,849	9,030,374	250,475
6030	Total Expenditures	8,777,154	9,280,849	9,030,374	250,475
1200	Net Change in Fund Balances	-	(186,347)	219,805	406,152
0100	Fund Balance - September 1 (Beginning)	3,588,894	3,588,894	3,588,894	-
3000	Fund Balance - August 31 (Ending)	\$ 3,588,894	\$ 3,402,547	\$ 3,808,699	\$ 406,152

MIDLAND INDEPENDENT SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 BUDGET AND ACTUAL - DEBT SERVICE FUND  
 FOR THE YEAR ENDED AUGUST 31, 2009

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 12,049,431	\$ 11,777,665	\$ 11,736,066	\$ (41,599)
5020	Total Revenues	12,049,431	11,777,665	11,736,066	(41,599)
<b>EXPENDITURES:</b>					
Debt Service:					
0071	Debt Service - Principal on Long Term Debt	5,830,000	5,830,000	5,830,000	-
0072	Debt Service - Interest on Long Term Debt	6,182,421	6,182,411	6,148,439	33,972
0073	Debt Service - Bond Issuance Cost and Fees	37,010	37,020	37,020	-
6030	Total Expenditures	12,049,431	12,049,431	12,015,459	33,972
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(271,766)	(279,393)	(7,627)
<b>OTHER FINANCING SOURCES (USES):</b>					
7911	Capital Related Debt Issued (Regular Bonds)	-	-	4,635,000	4,635,000
8940	Payment to Bond Refunding Escrow Agent (Use)	-	-	(4,634,990)	(4,634,990)
7080	Total Other Financing Sources (Uses)	-	-	10	10
1200	Net Change in Fund Balances	-	(271,766)	(279,383)	(7,617)
0100	Fund Balance - September 1 (Beginning)	4,460,355	4,460,355	4,460,355	-
3000	Fund Balance - August 31 (Ending)	\$ 4,460,355	\$ 4,188,589	\$ 4,180,972	\$ (7,617)

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**FEDERAL AWARDS SECTION**

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**ELMS, FARIS & COMPANY, LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Trustees  
Midland Independent School District  
615 West Missouri Avenue  
Midland, Texas 79701

**Members of the Board of Trustees:**

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, 2009, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 6, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.



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

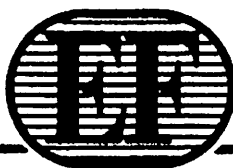
Compliance and Other Matters

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

This report is intended solely for the information and use of the District's board of trustees, the finance committee, management, 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 those specified parties.

*Elms, Faris & Company, LLP*

Midland, Texas  
January 6, 2010



**ELMS, FARIS & COMPANY, LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS**

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

Board of Trustees  
Midland Independent School District  
615 West Missouri Avenue  
Midland, Texas 79701

Members of the Board of Trustees:

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, 2009. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of 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 on 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, 2009.

### Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any entity's internal control.

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

This report is intended solely for the information and use of the District's trustees, the audit committee, management, 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 those specified parties.

*Elms, Faris & Company, LLP*

Midland, Texas  
January 6, 2010

**MIDLAND INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2009**

**SECTION 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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010A	Title I, Part A – Improving Basic Programs
10.553, 10.555	National School Breakfast & Lunch Program
10.559	Summer Feeding Program

Dollar threshold used to distinguish between type A and type B programs: \$706,027

Auditee qualified as low-risk auditee?   X   Yes      No

**MIDLAND INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2009**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

NONE

**SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

NONE

**MIDLAND INDEPENDENT SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2009**

**FINANCIAL STATEMENT FINDINGS**

NONE

**FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

NONE

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

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
<b>U.S. DEPARTMENT OF DEFENSE</b>			
<u>Passed Through Pass-Through Agency</u>			
Air Force Junior ROTC	N/A	N/A	\$ 2,838
Total Passed Through Pass-Through Agency			\$ 2,838
<b>TOTAL DEPARTMENT OF DEFENSE</b>			<b>\$ 2,838</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Direct Programs</u>			
Teacher Training Program/Mathworks	84.116Z	P116Z090005	\$ 10,400
Total Direct Programs			\$ 10,400
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	09610101165901	\$ 4,727,670
ESEA, Title I, Part C - Migrant	84.011A	09615001165901	102,645
IDEA - Part B, Formula	84.027	096600011659016600	3,665,760
IDEA - Part B, Discretionary Deaf	84.027	096600021659016673	11,396
IDEA - Part B, Formula Deaf	84.027	096600011659016601	16,596
Total CFDA Number 84.027			3,693,752
Carl D Perkins Basic Grant	84.048A	09420006165901	276,380
IDEA - Part B, Preschool	84.173	096610011659016610	83,622
IDEA - Part B, Preschool Deaf	84.173	096610011659016611	3,894
Total CFDA Number 84.173			87,516
ESEA Title IV - Safe and Drug-Free Schools	84.186A	09691001165901	60,689
ESEA, Title I, Part B - Even Start Family Literacy	84.213C	096120027110011	176,316
Title III, Part A - English Language Acquisition	84.365A	09671001165901	72,136
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	09694501165901	962,639
Summer School LEP	84.369A	069550902	7,185
Title I, Part A-Arra/Stimulus	84.389A	10551001165901	885,504
IDEA-B ARRA/LEA	84.391A	10554001165901	1,307,157
Title XIV, State Fiscal Stabilization Fund - ARRA	84.394A	S394A090044	15,704
Total Passed Through State Department of Education			\$ 12,375,293
<b>TOTAL DEPARTMENT OF EDUCATION</b>			<b>\$ 12,385,693</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<u>Passed Through State Department of Education</u>			
Head Start	93.600	06CH6994-38	\$ 1,990,901
Head Start - ARRA	93.708	06SE6994/01	525
Total Passed Through State Department of Education			\$ 1,991,426
<b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>\$ 1,991,426</b>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
<u>Passed Through State Department of Education</u>			
Secure Our Schools - Digital Eyes	16.71	2006CKWX0607	\$ 10,000
Total Passed Through State Department of Education			\$ 10,000
<b>TOTAL U.S. DEPARTMENT OF JUSTICE</b>			<b>\$ 10,000</b>

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

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
National School Breakfast & Lunch Program*	10.555	165-1002	\$ 9,030,374
Summer Feeding Program	10.559	165-1002	<u>113,904</u>
Total Passed Through the State Department of Agriculture			<u>\$ 9,144,278</u>
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			<u>\$ 9,144,278</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 23,534,235</u></u>

\*Clustered Programs as required by Compliance Supplement March, 2009



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**MIDLAND INDEPENDENT SCHOOL DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED AUGUST 31, 2009**

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	\$ 1,357,528
200-499	Special Revenue Funds	20,981,964
		22,339,492
	Audit Period Expenditures From the Schedule of Expenditures of Federal Awards	\$23,534,235

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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