

**MIDLOTHIAN
INDEPENDENT SCHOOL DISTRICT**

Financial Report For the Year Ended

June 30, 2009

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
 Financial Report
 For the Year Ended June 30, 2009

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 Financial Report
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CERTIFICATE OF BOARD

<u>Midlothian Independent School District</u>	<u>Ellis</u>	<u>070-908</u>
Name of School District	County	Co.- Dist. Number

We, the undersigned, certify that the attached financial reports of the above-named school district were reviewed and () approved () disapproved for the year ended June 30, 2009, at a meeting of the Board of School Trustees of such school district on the ____ day of _____, 2009.

Signature of Board Secretary

Signature of Board President

If the auditor's report was disapproved, the reason(s) therefore is/are (attach list if necessary):

FINANCIAL SECTION

PINGLETON, HOWARD & COMPANY, P. C.

CERTIFIED PUBLIC ACCOUNTANTS
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MEMBERS
AMERICAN INSTITUTE OF CPAs
AICPA DIVISION FOR CPA FIRMS
TEXAS SOCIETY OF CPAs

**UNQUALIFIED OPINION ON BASIC FINANCIAL STATEMENTS
ACCOMPANIED BY REQUIRED SUPPLEMENTAL INFORMATION AND OTHER
SUPPLEMENTARY INFORMATION
AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Independent Auditor's Report

Board of School Trustees
Midlothian Independent School District
100 Walter Stephenson Road
Midlothian, Texas 76065

Members of the Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Midlothian Independent School District, Midlothian Texas (the District) as of and for the year ended June 30, 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 administrators. Our responsibility is to express an opinion on them 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, each major fund, and the aggregate remaining fund information of Midlothian Independent School District as of June 30, 2009, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 3 through 9 and the budgetary comparison information on page 42 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2009 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 grants. 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 *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the T.E.A. required schedules listed in the table of contents are presented for additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, combining and individual nonmajor fund financial statements and the T.E.A. required schedules (except for Exhibit G-3, the Fund Balance and Cash Flow Calculation Worksheet, which is marked UNAUDITED and on which we express no opinion) 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.

/s/ *Pingleton, Howard & Company, P.C.*

August 28, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the **Midlothian Independent School District** annual financial report presents our discussion and analysis of the District's financial performance during the fiscal period ended June 30, 2009. Please read it in conjunction with the District's financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Assets (Exhibit A-1, page 12) and the Statement of Activities (Exhibit B-1, page 13). 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 with Exhibit C-1, pages 14-15) 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. 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 22, following Exhibit D-1) provide narrative explanations or additional data needed for full disclosure in the government-wide statements of 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 (Texas Education Agency) and are contained in Exhibits F-1 and F-2, pages 44-51.

The sections labeled "Required T.E.A. 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

Government-wide Statements: The Statement of Net Assets and the Statement of Activities

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets, Exhibit A-1, includes all of the government's assets and liabilities. The Statement of Activities, Exhibit B-1, accounts for all of the current period's revenues and expenses.

The two government-wide statements report the District's *net assets* and how they have changed. Net assets, the difference between the District's assets and liabilities, is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall financial health of the District, one should consider additional non-financial factors such as changes in the District's tax base.

Within the government-wide financial statements of the District, most of the District's basic services are included, such as instruction, extracurricular activities, curriculum and staff development, health services, and general administration. Property taxes, grants and state revenues finance most of the activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds, not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and bond covenants.
- Other funds are established to control and manage money for particular purposes or to show that the District is properly using certain taxes and grants.

The District has two kinds of funds:

- *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 at the end of the fiscal period. The governmental funds statements provide a detailed, short-term view of the District's general operations and the basic services it provides. The differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in reconciliation narratives following each of the fund financial statements. (See Exhibits C-2 and C-4, pages 17 and 20)
- *Fiduciary funds* – 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 the Statement of 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.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District implemented GASB Statement #34 in the period ended August 31, 2002. As a result, the reader will find comparative information concerning the fiscal years ended June 30, 2009 and June 30, 2008.

Net assets. (See Table A-1, next page). The District's combined net assets were \$3,664,291 on June 30, 2009, compared to \$5,031,565 at June 30, 2008. The decrease in both Assets and Liabilities is due to a decrease in Cash and Cash Equivalents and Current Liabilities. These decreases were a direct result of an intensified effort to cut-off district spending for the school year and concentrate on having the majority of accounts payable paid by the fiscal year end. Also, the construction projects open at the end of the last fiscal year were completed in the Fall of 2008, retainage held on those projects at the end of the last fiscal year were paid and open projects this year were not as large. The District continued to book a receivable from the state and accrue a liability due to the Midlothian Development Authority for the adverse effects of the 2006 tax changes made by the Texas Legislature.

**Table A-1
The District's Net Assets**

	<u>Governmental Activities</u>		<u>Percentage Change</u>
	<u>2009</u>	<u>2008</u>	
Current and Other Assets	\$ 42,887,302	49,272,035	(13.0%)
Capital and Non-Current Assets	<u>164,671,294</u>	<u>164,572,874</u>	0.1%
Total Assets	207,558,596	213,844,909	(2.9%)
Current Liabilities	17,212,523	18,839,211	(8.6%)
Long Term Liabilities	<u>186,681,782</u>	<u>189,974,133</u>	(1.7%)
Total Liabilities	203,894,305	208,813,344	(2.4%)
Net Assets			
Invested in Capital Assets net of related debt	(16,198,438)	(14,033,802)	(15.4%)
Restricted	4,989,432	5,780,649	(13.7%)
Unrestricted	<u>14,873,297</u>	<u>13,284,718</u>	12.0%
Total Net Assets	\$ 3,664,291	5,031,565	(27.2 %)

Governmental Activities (Table A-2, next page)

- Property tax rates increased from the prior year, to \$1.4075 per \$100 of taxable value.
- The decrease in state funding of \$2,168,161 was due to the changes in methods of calculating state aid. The increase in property taxes caused the state funding to decrease.
- Investment earnings were down sharply due to drop in interest rates this year.
- Expenses showed significant increases in instructional and instructional related categories. Other categories were only slightly higher or decreased.
- Debt service costs decreased due to not issuing any new debt.

**Table A-2
Changes in Net Assets**

	Governmental Activities		Percentage Change
	<u>2009</u>	<u>2008</u>	
Revenues			
General Revenues			
Property taxes	\$ 44,327,058	40,869,238	8.5%
State aid – formula	20,344,816	22,512,977	(9.6%)
Investment earnings	437,184	2,019,058	(78.3%)
Other	<u>979,900</u>	<u>1,405,726</u>	(30.3%)
Total Revenues	66,088,958	66,806,999	(1.1%)
Expenses			
Instruction and instructional related	31,988,051	29,913,247	6.9%
Instructional /school leadership	3,569,850	3,360,022	6.2%
Guidance, social work, health, transportation	3,976,901	3,520,268	13.0%
Food services	391,204	60,609	545.5%
Extracurricular activities	2,199,431	2,580,145	(14.8%)
General administration	1,593,286	1,532,911	3.9%
Plant maintenance and security	5,741,806	6,351,677	(9.6%)
Data processing services	1,045,299	997,162	4.8%
Community services	384,127	325,716	17.9%
Debt service	9,235,606	9,587,816	(3.7%)
Payments to Tax Increment Fund	6,879,287	7,582,239	(9.3%)
Other Intergovernmental Charges	<u>451,384</u>	<u>416,951</u>	8.3%
Total Expenses	67,456,232	66,228,763	1.9%
Increase/(Decrease) in Net Assets	(1,367,274)	578,236	(336.5%)
Beginning Net Assets	<u>5,031,565</u>	<u>4,453,329</u>	13.0%
Ending Net Assets	\$ 3,664,291	5,031,565	(27.2%)

Table A-3 on the next page presents the cost of each of the District's largest functions as well as each function's *net cost* (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all governmental activities this period was \$76,339,710.
- The amount that our taxpayers paid for these governmental activities through property taxes was \$44,327,058.
- Some of the cost \$2,948,314 was paid by those who directly benefited from the programs, or
- By grants and contributions \$5,935,164.

**Table A-3
Net Cost of Selected District Functions**

	Total Cost of Services		% Change	Net Cost of Services		% Change
	<u>2009</u>	<u>2008</u>		<u>2009</u>	<u>2008</u>	
Instruction	\$ 34,560,307	32,263,940	7.1%	30,412,454	28,747,510	5.8%
School Leadership	3,230,017	3,052,704	5.8%	3,043,044	2,913,304	4.5%
Plant Maintenance & Operations	5,766,567	6,141,903	(6.1%)	5,480,432	5,896,224	(7.1%)
Debt Service-Interest & Fiscal Charges	9,235,606	9,587,816	(3.7%)	9,235,606	9,587,816	(3.7%)
Payment to Tax Increment Fund	6,879,287	7,582,239	(9.3%)	6,879,287	7,582,239	(9.3%)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As the District completed the period, its governmental funds (as presented in the balance sheet on Exhibit C-1, pages 14-15) reported a combined fund balance of \$30,780,625, as compared to a fund balance ending June 30, 2008 of \$34,585,115. The decrease in fund balance is primarily due to a \$6,058,670 decrease in the fund balance of the Capital Projects Fund offset by a \$269,956 increase in the Debt Service Fund and a \$2,104,686 increase in the General Fund.

General Fund Budgetary Highlights

During the course of the period, the District reviews and revises its budget on a monthly basis in accordance with TEA FARG standards. General Fund revenues for the fiscal period ended June 30, 2009 did not meet budget by \$669,739. This was due to earned state revenues and property taxes collected being lower than initially projected.

Expenditures were under budget by \$2,776,446. While we had formally budgeted no increase to fund balance, as a result of expenditures being less than projected our fund balance this year increased to \$17,807,673 from last year's \$15,702,987, an increase of \$2,104,686. At the end of fiscal year 2008, the ending fund balance of \$15.7 million represented 27.1% of the initial 2008-2009 operating budget. At fiscal year-end 2009, the ending fund balance of \$17.8 million represented 29.9% of the 2009-2010 operating budget. Because our fiscal year now begins in July, a larger fund balance is needed than when our fiscal year began on September 1, as we operate for a longer period of time during the fiscal year before we receive state aid and tax revenues for that year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

At the end of fiscal year 2009, the District had invested \$217,599,048 in a broad range of capital assets, including land, equipment, buildings, and construction in progress. (See Table A-4, below.) Additional information on capital assets is contained in Note 4, Section E of the Notes to the Financial Statements.

Table A-4 District's Capital Assets Governmental Activities			
	<u>2009</u>	<u>2008</u>	<u>Percentage Change</u>
Land	\$ 4,790,196	4,729,817	1.3%
Buildings and improvements	204,141,712	133,763,418	52.6%
Construction in progress	1,669,144	67,183,169	(97.5%)
Furniture & Equipment	2,979,262	2,693,673	10.6%
Vehicles	<u>4,018,734</u>	<u>3,975,678</u>	1.1%
Totals at historical cost	217,599,048	212,345,755	2.5%
Total accumulated depreciation	<u>52,927,754</u>	<u>47,772,881</u>	10.8%
Net capital assets	\$ 164,671,294	164,572,874	0.1%

At the 2009 period-end, the District had \$191,422,216 in bonds and lease obligations outstanding (see Table A-5 below) as compared to \$194,440,176 at the 2008 year-end. Additional information on these items can be found in Note 4, Sections G and H, of the Notes to the Financial Statements.

Table A-5 District's Long Term Debt			
	Governmental Activities		% Change
	<u>2009</u>	<u>2008</u>	
Lease Obligations (at Present Value) \$	1,806,719	1,948,796	(7.3%)
Bonds Payable	<u>189,615,497</u>	<u>192,491,380</u>	(1.5%)
Total Bonds & Leases Payable	\$ 191,422,216	194,440,176	(1.6%)

The District's bonds presently carry "Aaa" ratings, with underlying ratings as follows:

Moody's Investor Services	"A2"
Fitch	"A-"

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

- Appraised value used for the 2009-10 budget preparation has increased approximately \$49.8 million, which represents an increase of 1.5% from 2008-09 budget values.
- The District’s 2009-10 refined average daily attendance is expected to be approximately 6,938, which represents a 2.0% increase over 2008-09.

These indicators were taken into account when adopting the general fund budget for fiscal 2010. Revenues available for appropriation in the general fund budget (net of Tax Increment Reinvestment Zone, or TIRZ, pass-through revenues) are \$51,842,727 a decrease from the actual 2008-09 revenues of \$54,487,049. Salaries comprise approximately 81% of the General Fund expenditure budget, and these are expected to increase during the coming fiscal year due to additional staff and personnel needed for the increased enrollment. Other operating expenditures (such as utilities, maintenance, transportation, etc.) can also be expected to increase with the additional projected enrollment. The District has budgeted a balanced budget (wherein revenues equal expenditures, with no increase or decrease to fund balance) for the 2009-10 fiscal year. The Maintenance and Operating (M&O) tax rate remain the same next year, due to legislation passed in the summer of 2006. The Interest & Sinking (I&S) tax rate is anticipated to decrease \$0.01 in 2009-10.

Midlothian ISD Tax Rate History

School Year	M&O	I&S	Total
1996-1997	\$1.4100	\$0.2900	\$1.7000
1997-1998	\$1.3737	\$0.2850	\$1.6587
1998-1999	\$1.3700	\$0.2700	\$1.6400
1999-2000	\$1.4675	\$0.1924	\$1.6599
2000-2001	\$1.4000	\$0.3097	\$1.7097
2001-2002	\$1.5000	\$0.2200	\$1.7200
2002-2003	\$1.48255	\$0.23745	\$1.7200
2003-2004	\$1.5000	\$0.2200	\$1.7200
2004-2005	\$1.5000	\$0.2645	\$1.7645
2005-2006	\$1.5000	\$0.2875	\$1.7875
2006-2007	\$1.3700	\$0.3275	\$1.6975
2007-2008	\$1.0400	\$0.3275	\$1.3675
2008-2009	\$1.0400	\$0.3675	\$1.4075

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District’s finances, and to demonstrate 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 Assistant Superintendent for Finance and Operations at (972) 775-8296.

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BASIC FINANCIAL STATEMENTS

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 34,309,800
1220 Property Taxes Receivable (Delinquent)	1,267,148
1230 Allowance for Uncollectible Taxes	(126,715)
1240 Due from Other Governments	5,858,439
1290 Other Receivables, net	19,600
1300 Inventories	75,317
1410 Deferred Expenses	72,670
1420 Capitalized Bond and Other Debt Issuance Costs	1,411,043
Capital Assets:	
1510 Land	4,790,196
1520 Buildings, Net	155,148,405
1530 Furniture and Equipment, Net	1,651,726
1540 Vehicles, Net	1,411,823
1580 Construction in Progress	1,669,144
1000 Total Assets	207,558,596
LIABILITIES	
2110 Accounts Payable	539,384
2140 Interest Payable	2,916,888
2150 Payroll Deductions & Withholdings	317,535
2160 Accrued Wages Payable	5,173,203
2180 Due to Other Governments	3,376,031
2200 Accrued Expenses	139,472
2300 Deferred Revenues	9,576
Noncurrent Liabilities	
2501 Due Within One Year	4,740,434
2502 Due in More Than One Year	186,681,782
2000 Total Liabilities	203,894,305
NET ASSETS	
3200 Invested in Capital Assets, Net of Related Debt	(16,198,438)
3820 Restricted for Federal and State Programs	237,914
3850 Restricted for Debt Service	4,597,943
3860 Restricted for Capital Projects	153,575
3900 Unrestricted Net Assets	14,873,297
3000 Total Net Assets	\$ 3,664,291

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

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

EXHIBIT B-1

Data		Program Revenues		Net (Expense)
Control	1	3	4	Revenue and
Codes		Charges for	Operating	Changes in Net
	Expenses	Services	Grants and	Assets
			Contributions	Primary Gov.
				Governmental
				Activities

Primary Government:

GOVERNMENTAL ACTIVITIES:

11 Instruction	\$ 34,560,307	\$ 402,996	\$ 3,744,857	\$ (30,412,454)
12 Instructional Resources and Media Services	1,327,779	-	42,811	(1,284,968)
13 Curriculum and Instructional Staff Development	423,749	-	133,120	(290,629)
21 Instructional Leadership	561,308	-	34,502	(526,806)
23 School Leadership	3,230,017	-	186,973	(3,043,044)
31 Guidance, Counseling and Evaluation Services	2,042,662	-	507,927	(1,534,735)
32 Social Work Services	110,000	-	108,686	(1,314)
33 Health Services	476,881	-	29,374	(447,507)
34 Student (Pupil) Transportation	2,075,750	-	82,405	(1,993,345)
35 Food Services	2,592,486	1,581,376	619,906	(391,204)
36 Extracurricular Activities	3,087,779	801,148	87,200	(2,199,431)
41 General Administration	1,657,840	-	64,554	(1,593,286)
51 Plant Maintenance and Operations	5,766,567	162,794	123,341	(5,480,432)
52 Security and Monitoring Services	380,026	-	118,652	(261,374)
53 Data Processing Services	1,096,155	-	50,856	(1,045,299)
61 Community Services	384,127	-	-	(384,127)
72 Debt Service - Interest on Long Term Debt	9,150,454	-	-	(9,150,454)
73 Debt Service - Bond Issuance Cost and Fees	85,152	-	-	(85,152)
97 Payments to Tax Increment Fund	6,879,287	-	-	(6,879,287)
99 Other Intergovernmental Charges	451,384	-	-	(451,384)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 76,339,710	\$ 2,948,314	\$ 5,935,164	(67,456,232)

Data			
Control			
Codes			
	General Revenues:		
	Taxes:		
MT	Property Taxes, Levied for General Purposes		32,725,149
DT	Property Taxes, Levied for Debt Service		11,601,909
SF	State Aid - Formula Grants		20,344,816
IE	Investment Earnings		437,184
MI	Miscellaneous Local and Intermediate Revenue		979,900
TR	Total General Revenues		66,088,958
CN	Change in Net Assets		(1,367,274)
NB	Net Assets--Beginning		5,031,565
NE	Net Assets--Ending		\$ 3,664,291

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

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 20,753,968	\$ 4,599,443	\$ 7,903,902
1220 Property Taxes - Delinquent	966,257	300,891	-
1230 Allowance for Uncollectible Taxes (Credit)	(96,626)	(30,089)	-
1240 Due from Other Governments	5,580,517	-	-
1290 Other Receivables	18,985	-	-
1300 Inventories	75,317	-	-
1410 Deferred Expenditures	57,647	-	-
1000 Total Assets	<u>\$ 27,356,065</u>	<u>\$ 4,870,245</u>	<u>\$ 7,903,902</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
2110 Accounts Payable	\$ 100,784	\$ 1,500	\$ 343,308
2150 Payroll Deductions and Withholdings Payable	317,535	-	-
2160 Accrued Wages Payable	4,885,639	-	-
2180 Due to Other Governments	3,374,803	-	-
2200 Accrued Expenditures	-	-	139,472
2300 Deferred Revenues	869,631	270,802	-
2000 Total Liabilities	<u>9,548,392</u>	<u>272,302</u>	<u>482,780</u>
Fund Balances:			
Reserved For:			
3410 Investments in Inventory	75,317	-	-
3420 Retirement of Long Term Debt	-	4,597,943	-
3430 Prepaid Items	57,647	-	-
3440 Outstanding Encumbrances	815,072	-	-
3450 Food Service	-	-	-
Unreserved Designated For:			
3510 Construction	6,576,000	-	7,421,122
3590 Other Purposes	328,000	-	-
Unreserved and Undesignated:			
3600 Reported in the General Fund	9,955,637	-	-
3610 Reported in Special Revenue Funds	-	-	-
3000 Total Fund Balances	<u>17,807,673</u>	<u>4,597,943</u>	<u>7,421,122</u>
4000 Total Liabilities and Fund Balances	<u>\$ 27,356,065</u>	<u>\$ 4,870,245</u>	<u>\$ 7,903,902</u>

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

Other Funds	Total Governmental Funds
\$ 1,052,487	\$ 34,309,800
-	1,267,148
-	(126,715)
277,922	5,858,439
615	19,600
-	75,317
15,023	72,670
<u>\$ 1,346,047</u>	<u>\$ 41,476,259</u>
\$ 93,792	\$ 539,384
-	317,535
287,564	5,173,203
1,228	3,376,031
-	139,472
9,576	1,150,009
<u>392,160</u>	<u>10,695,634</u>
-	75,317
-	4,597,943
-	57,647
-	815,072
237,914	237,914
-	13,997,122
-	328,000
-	9,955,637
715,973	715,973
<u>953,887</u>	<u>30,780,625</u>
<u>\$ 1,346,047</u>	<u>\$ 41,476,259</u>

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MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2009

Total Fund Balances - Governmental Funds	\$	30,780,625
1 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 \$212,345,755 and the accumulated depreciation was \$47,772,881. In addition, long-term liabilities, including bonds payable of \$169,159,131, and capital leases payable of \$1,948,796 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 decrease net assets.		(6,535,053)
2 Current year capital outlays of \$5,253,293 and long-term debt principal payments of \$2,398,312 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 current year capital outlays and debt principal payments is to increase net assets.		7,651,605
3 Accrued interest payable on long-term debt is not included on the fund financial statements, but is shown on the government-wide financial statements. The effect of including accrued interest payable is to decrease net assets.		(2,916,888)
4 Accreted interest on capital appreciation bonds is not included on the fund financial statements, but is shown on the government-wide financial statements. The effect of including accreted interest is to decrease net assets.		(19,427,664)
5 The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(5,154,873)
6 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 decrease net assets.		(733,461)
19 Net Assets of Governmental Activities	\$	3,664,291

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

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 34,784,771	\$ 11,827,278	\$ 153,575
5800 State Program Revenues	22,541,023	395,347	-
5900 Federal Program Revenues	-	-	-
5020 Total Revenues	<u>57,325,794</u>	<u>12,222,625</u>	<u>153,575</u>
EXPENDITURES:			
Current:			
0011 Instruction	28,549,458	-	-
0012 Instructional Resources and Media Services	884,023	-	-
0013 Curriculum and Instructional Staff Development	297,708	-	-
0021 Instructional Leadership	559,146	-	-
0023 School Leadership	3,072,967	-	-
0031 Guidance, Counseling and Evaluation Services	1,625,722	-	-
0032 Social Work Services	-	-	-
0033 Health Services	471,326	-	-
0034 Student (Pupil) Transportation	1,875,104	-	-
0035 Food Services	-	-	-
0036 Extracurricular Activities	2,067,988	-	-
0041 General Administration	1,448,592	-	-
0051 Facilities Maintenance and Operations	5,483,549	-	-
0052 Security and Monitoring Services	266,402	-	-
0053 Data Processing Services	980,981	-	-
0061 Community Services	-	-	-
Debt Service:			
0071 Debt Service - Principal on Long Term Debt	142,077	2,256,235	-
0072 Debt Service - Interest on Long Term Debt	99,623	9,677,434	-
0073 Debt Service - Bond Issuance Cost and Fees	-	19,000	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	63,750	-	6,212,245
Intergovernmental:			
0097 Payments to Tax Increment Fund	6,879,287	-	-
0099 Other Intergovernmental Charges	451,384	-	-
6030 Total Expenditures	<u>55,219,087</u>	<u>11,952,669</u>	<u>6,212,245</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,106,707</u>	<u>269,956</u>	<u>(6,058,670)</u>
OTHER FINANCING SOURCES (USES):			
7915 Transfers In	-	-	-
8911 Transfers Out (Use)	(2,021)	-	-
7080 Total Other Financing Sources (Uses)	<u>(2,021)</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balances	2,104,686	269,956	(6,058,670)
0100 Fund Balance - July 1 (Beginning)	<u>15,702,987</u>	<u>4,327,987</u>	<u>13,479,792</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ 17,807,673</u>	<u>\$ 4,597,943</u>	<u>\$ 7,421,122</u>

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

Other Funds	Total Governmental Funds
\$ 2,546,799	\$ 49,312,423
880,278	23,816,648
<u>2,463,332</u>	<u>2,463,332</u>
5,890,409	75,592,403
2,182,155	30,731,613
94,245	978,268
126,041	423,749
2,162	561,308
103,993	3,176,960
411,766	2,037,488
110,000	110,000
97	471,423
-	1,875,104
2,299,110	2,299,110
172,005	2,239,993
3,634	1,452,226
1,317	5,484,866
113,240	379,642
9,000	989,981
384,127	384,127
-	2,398,312
-	9,777,057
-	19,000
-	6,275,995
-	6,879,287
-	451,384
<u>6,012,892</u>	<u>79,396,893</u>
<u>(122,483)</u>	<u>(3,804,490)</u>
2,021	2,021
-	(2,021)
<u>2,021</u>	<u>-</u>
(120,462)	(3,804,490)
<u>1,074,349</u>	<u>34,585,115</u>
<u>\$ 953,887</u>	<u>\$ 30,780,625</u>

MIDLOTHIAN 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 JUNE 30, 2009

Total Net Change in Fund Balances - Governmental Funds	\$	(3,804,490)
Current year capital outlays of \$5,253,293 and long-term debt principal payments of \$2,398,312 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 current year capital outlays and debt principal payments is to increase net assets.		7,651,605
Accrued interest payable on long-term debt is not included on the fund financial statements, but is shown on the government-wide financial statements. The net effect of including accrued interest payable is to increase net assets.		6,955
Accreted interest payable on capital appreciation bonds is not included on the fund financial statements, but is shown on the government-wide financial statements. The net effect of including accreted interest is to increase net assets.		430,683
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.		(5,154,873)
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.		(497,154)
Change in Net Assets of Governmental Activities	\$	(1,367,274)

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

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 311,850
Total Assets	<u>311,850</u>
LIABILITIES	
Accounts Payable	\$ 10,865
Due to Student Groups	<u>300,985</u>
Total Liabilities	<u>311,850</u>

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

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Midlothian 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 accounting principles generally accepted in the United States of America 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 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." There are no component units included within the reporting entity.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial

-continued-

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2009

-continued-

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(continued)

statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the period 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 are reported using 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 judgements are recognized when the obligations are expected to be liquidated with expendable 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. The District considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

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

The 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 fund Statement of Net Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

-continued-

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2009

-continued-

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Fund Accounting

The District reports the following major governmental funds:

1. **General Fund** - 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. **Debt Service Fund** - The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.
3. **Capital Projects Fund** - The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

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 a special revenue fund. 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.

Fiduciary Funds:

2. **Agency Funds** - The District accounts for resources held for others in a custodial capacity in agency funds.

E. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Due From (To) Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded in all affected funds in the period in which transactions are executed in the normal course of operations.

-continued-

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2009

-continued-

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Assets or Equity (continued)

3. Inventories and Prepaid Items

The consumption method is used to account for inventories of food products, school supplies and athletic equipment. Under this method, these items are carried in an inventory account of the respective fund at cost, using the first-in, first-out method of accounting and are subsequently charged to expenditures when consumed. In the General Fund, reported inventories are offset by a fund balance reserve indicating that they are unavailable as current expendable financial resources.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. 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.

Property, plant, and equipment of the district is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Vehicles	10
Office equipment	7
Computer equipment	5

-continued-

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2009

-continued-

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Assets or Equity (continued)

5. Vacation and Sick Leave

Vacations are to be taken within the same year they are earned, and any unused days at the end of the year are forfeited. Therefore, no liability has been accrued in the accompanying basic financial statements. Employees of the District are entitled to sick leave based on category/class of employment. Sick leave is allowed to be accumulated but does not vest. Therefore, a liability for unused sick leave has not been recorded in the accompanying basic financial statements.

6. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type 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 recognize 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.

7. Fund Equity

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. As of June 30, 2009, Reserved Fund Balance includes \$75,317 for inventories, \$57,647 for prepaid items, and \$815,072 for outstanding encumbrances in the General Fund. Debt Service Fund reserves total \$4,597,943 for retirement of funded indebtedness as of June 30, 2009. A total of \$7,421,122 has been designated for authorized construction programs in the Capital Projects Fund and \$6,576,000 in the General Fund, with additional General Fund designations of \$328,000 for other purposes. The Special Revenue Fund reserves total \$237,914 for Food Service.

8. Data Control Codes

The Data Control Codes refer to the account code structure prescribed by T.E.A. in the *Financial Accountability System Resources Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with

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MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2009

-continued-

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Assets or Equity (continued)

8. **Data Control Codes** (continued)

the Agency in order to insure accuracy in building a Statewide data base for policy development and funding plans.

9. School Districts are required to report all expenses by function, except certain indirect expenses. General administration and data processing service functions (data control codes 41 and 53, respectively) include expenses that are indirect expenses of other functions. These indirect expenses are not allocated to other functions.

NOTE 2 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

Exhibit C-2 provides a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the full accrual basis of accounting.” The details of this \$(733,461) adjustment are as follows:

Long-term debt:

Premium and issuance costs on bonds \$ (1,873,894)

Deferred revenue:

To remove the current period uncollected tax levy from deferred revenue 757,301

To remove prior year collectible delinquent tax levy receivable from deferred revenue 383,132

1,140,433

Net adjustment to decrease fund balance - total governmental funds

to arrive at net assets - governmental activities \$ (733,461)

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 *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “various other

-continued-

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2009

-continued-

NOTE 2 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

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 (continued)

reclassifications are necessary to convert from the modified accrual basis of accounting to the full accrual basis of accounting.” The details of this \$(497,154) adjustment are as follows:

Long-term debt:

Current period amortization \$ 122,813

Taxes:

To move the current period uncollected tax levy to revenue 757,301

To remove the prior year tax collection from current period revenue (1,377,268)

(619,967)

Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities

\$ (497,154)

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Data

The Board of Trustees adopts an “appropriated budget” for the General Fund, Debt Service Fund and the Food Service Fund which is included in the Special Revenue Funds. 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 E-1 and the other two reports are in Exhibit G-4 and G-5.

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

1. Prior to June 19, the District prepares a budget for the next succeeding fiscal period beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days’ public notice of the meeting must be given.
3. Prior to July 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

-continued-

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2009

-continued-

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

A. Budgetary Data (continued)

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. The budget was properly amended throughout the period by the Board of Trustees.

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. A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

June 30, 2009 Fund Balance

Appropriated budget funds - Food Service Special Revenue Fund	\$ 237,914
Nonappropriated budget funds	<u>715,973</u>
All Special Revenue Funds	\$ <u>953,887</u>

B. Encumbrance Accounting

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment or Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at June 30 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent period's budget. At June 30, 2009, there were outstanding encumbrances of \$815,072 in the General Fund.

NOTE 4 DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the **Depository Contract Law**. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

-continued-

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2009

-continued-

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

A. Deposits and Investments (continued)

At June 30, 2009, the carrying amount of the District's cash, savings, and time deposits was \$3,317,213. The bank balance was \$4,108,859. The District's combined deposits at June 30, 2009, and during the year ended June 30, 2009, were fully insured by federal depository insurance or collateralized with securities pledged to the District and held by the District's agent.

In addition the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a. Name of bank First Financial Bank, Cleburne, Texas.
- b. Amount of bond and securities pledged as of the date of the highest combined balance on deposit was \$ 7,170,010.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$ 4,108,859 and occurred during the month of June.
- d. Total amount of FDIC coverage at the time of highest combined balance was \$ 500,000.

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas 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 investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) 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, and the State of Texas; (2) certificates of deposit; (3) certain municipal securities; (4) money market savings account; (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Fund; (8) Investment pools; (9) guaranteed investment contracts; and (10) common trust funds. The Act also requires the District to have independent auditors perform test 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.

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy addresses 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 District's deposits may not be returned to it. The District's policy regarding types of deposits allowed and collateral requirements is: the Depository may be a state bank authorized and regulated under Texas law; a national bank, savings and loan association, or savings bank authorized and regulated by federal law; or a savings and loan association or savings bank organized under Texas law; but shall not be any bank the deposits of which are not insured by the Federal Deposit Insurance Corporation (FDIC). The District is not exposed to custodial credit risk for its deposits, as all are covered by depository insurance and pledged securities.

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MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2009

-continued-

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

A. Deposits and Investments (continued)

- b. **Custodial Credit Risk - Investments:** For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District investments are with the Texas Local Government Investment Pool ("TexPool"), and the Lone Star Investment Pool ("Lone Star"). The pools are public funds investment pools created to provide a safe environment for the placement of local government funds in authorized short-term investments. Local investment pools operate in a manner consistent with the Security and Exchange Commission's Rule 2a7 of the Investment Company Act of 1940. The Texas Comptroller of Public Accounts exercises oversight responsibility over TexPool. Administration of Lone Star is performed by a Board of Directors, which is an administrative agency created under the Interlocal Act. The District is not exposed to custodial credit risk for its investments.
- c. **Credit Risk -** This is the risk that an issuer of an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for TexPool at year end was AAAM by Standard & Poor's. The credit quality rating for Lone Star at year end was Aaa by Moody's Investor Service.
- d. **Interest Rate Risk -** This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the District's investment in external investment pools is less than 60 days.
- e. **Foreign Currency Risk -** This is the risk that exchange rates will adversely affect the fair value of an investment. The District is not exposed to foreign currency risk.
- f. **Concentration of Credit Risk -** This is the risk of loss attributed to the magnitude of the District's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. Investments issued by the U. S. Government and investments in investment pools are excluded from the 5 percent disclosure requirement. The District is not exposed to concentration of credit risk.

The District's temporary investments at June 30, 2009, were as follows:

<u>Investment type:</u>	<u>Fair Value</u>
Lone Star investment pool	\$ 3,676,080
TexPool investment pool	<u>27,627,458</u>
Total	\$ <u>31,303,538</u>

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MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2009

-continued-

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

B. Property Taxes

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the period following the October 1 levy date. The assessed value of the property tax roll on August 1, 2008, upon which the levy for the 2008-09 fiscal period was based, was \$2,873,970,167. The roll was subsequently increased to a period end assessed value of \$3,066,893,338. Taxes are delinquent if not paid by January 31. Delinquent taxes are subject to both penalty and interest charges plus 20% delinquent collection fees for attorney costs after August 31.

The tax rates assessed for the year ended June 30, 2009, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.04 and \$0.3675 per \$100 valuation, respectively, for the total of \$1.4075 per \$100 valuation.

Total tax collections for the year ended June 30, 2009 were 101% of the period end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting 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. As of June 30, 2009, property taxes receivable, net of estimated uncollectible taxes, totaled \$869,631 and \$270,802 for the General and Debt Service Funds, respectively.

C. 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 June 30, 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.

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Total</u>
General	\$ 5,580,517		5,580,517
Special revenue	<u>8,763</u>	<u>269,159</u>	<u>277,922</u>
Total	<u>\$ 5,589,280</u>	<u>269,159</u>	<u>5,858,439</u>

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MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2009

-continued-

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

D. Interfund Receivables and Payables

There were no interfund balances at June 30, 2009.

E. Capital Assets

Capital asset activity for the year ended June 30, 2009, was as follows:

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
Government activities:				
Land	\$ 4,729,817	60,379		4,790,196
Buildings and improvements	133,763,418	70,378,294		204,141,712
Furniture and equipment	2,693,673	285,589		2,979,262
Vehicles	3,975,678	43,056		4,018,734
Construction in progress	<u>67,183,169</u>	<u>4,839,404</u>	<u>(70,353,429)</u>	<u>1,669,144</u>
Totals at historical cost	<u>212,345,755</u>	<u>75,606,722</u>	<u>(70,353,429)</u>	<u>217,599,048</u>
Less accumulated depreciation for:				
Buildings and improvements	(44,264,728)	(4,728,579)		(48,993,307)
Furniture and equipment	(1,152,973)	(174,563)		(1,327,536)
Vehicles	<u>(2,355,180)</u>	<u>(251,731)</u>		<u>(2,606,911)</u>
Total accumulated depreciation	<u>(47,772,881)</u>	<u>(5,154,873)</u>		<u>(52,927,754)</u>
Governmental activities capital assets, net	<u>\$ 164,572,874</u>	<u>70,451,849</u>	<u>(70,353,429)</u>	<u>164,671,294</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 3,404,325
Instructional resources and media	113,689
School leadership	53,057
Student transportation	200,646
Food services	284,418
Extracurricular activities	809,574
General administration	53,484
Plant maintenance and operations	144,807
Data processing services	<u>90,873</u>
Total depreciation expense	<u>\$ 5,154,873</u>

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MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2009

-continued-

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

F. Construction Commitments

At June 30, 2009, the District had one project under construction. A summary of the status of this project and the related binding contracts with contractors is as follows:

<u>Project Name</u>	<u>Scheduled Completion Date</u>	<u>Contract Amount</u>	Cost Incurred Through <u>June 30, 2009</u>	<u>Amount Retained</u>
Ag Building	08/09	\$ 2,500,000	1,669,144	83,178

G. Capital Leases

Capital leases payable activity for the year ended June 30, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
September 15, 2002 Equipment Replacement	\$ <u>1,948,796</u>	<u>(142,077)</u>	<u>1,806,719</u>	<u>156,469</u>
Total	\$ <u>1,948,796</u>	<u>(142,077)</u>	<u>1,806,719</u>	<u>156,469</u>

On September 15, 2002, the District entered into a capital lease agreement for the purpose of equipment replacement. Capital lease expenditures for the year were \$241,700 of which \$99,623 represented interest. The effective interest rate is 5.25%. Pursuant to the terms of the capital lease agreement, the District will be required to make future minimum payments as follows:

	<u>Year Ending June 30,</u>	
	2010	\$ 248,365
	2011	254,660
	2012	261,095
	2013	267,705
	2014	269,364
	2015-2018	<u>971,239</u>
Future minimum lease payment		2,272,428
Less: Amounts representing interest		<u>(465,709)</u>
Present value		\$ <u>1,806,719</u>

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MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2009

-continued-

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

H. Bonds Payable

Bonds payable activity for the year ended June 30, 2009, was as follows:

<u>Governmental Activities</u>	Interest Rate Payable	Amounts Original Issue	Beginning Balance	<u>Additions</u>	<u>Reductions</u>	Ending Balance	Due Within One Year
Bonded Indebtedness:							
1995 School Bldg & Refunding	7.60%	\$ 27,239,230	1,570,000		(800,000)	770,000	770,000
1999 School Bldg & Refunding	6.41%	33,810,671	2,313,290		(446,235)	1,867,055	396,094
2002A School Bldg	5.00%	10,590,000	5,720,000			5,720,000	
2002B Refunding	5.00%	12,145,000	11,580,000		(100,000)	11,480,000	105,000
2004 School Bldg & Refunding	5.63%	46,947,627	46,520,000		(820,000)	45,700,000	835,000
2004A Refunding	5.25%	12,483,109	12,238,109		(60,000)	12,178,109	60,000
2005 School Bldg & Refunding	4.85%	49,627,732	49,627,732		(30,000)	49,597,732	115,000
2006 School Bldg & Refunding	4.94%	37,090,000	37,090,000			37,090,000	25,000
2008 School Bldg	4.31%	2,500,000	<u>2,500,000</u>			<u>2,500,000</u>	
Subtotal			169,159,131		(2,256,235)	166,902,896	2,306,094
Bond Premium			3,473,902		(188,965)	3,284,937	188,965
Accreted interest			<u>19,858,347</u>	<u>1,448,082</u>	<u>(1,878,765)</u>	<u>19,427,664</u>	<u>2,088,906</u>
Total bonded indebtedness			<u>\$ 192,491,380</u>	<u>1,448,082</u>	<u>(4,323,965)</u>	<u>189,615,497</u>	<u>4,583,965</u>

General obligation bonds consist of 1995, 1999, 2002, 2004, 2005, 2006, and 2008 School Building and Refunding Bonds bearing interest at 5.25 - 7.60% per annum. Interest expense for the year on all bonded indebtedness was \$9,677,434.

Debt service requirements for the general obligation bonds are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2010	\$ 2,306,094	9,867,273	12,173,367
2011	3,223,209	9,588,072	12,811,281
2012	3,684,662	9,179,062	12,863,724
2013	3,792,147	9,155,283	12,947,430
2014	3,888,040	9,067,213	12,955,253
2015-2019	19,721,585	45,111,386	64,832,971
2020-2024	25,644,670	39,382,385	65,027,055
2025-2029	39,442,489	25,962,129	65,404,618
2030-2034	54,700,000	11,088,194	65,788,194
2035-2036	<u>10,500,000</u>	<u>791,250</u>	<u>11,291,250</u>
Total	<u>\$ 166,902,896</u>	<u>169,192,247</u>	<u>336,095,143</u>

There are a number of limitations and restrictions contained in the various general obligation bonds indentures. The District is in compliance with all significant limitations and restrictions at June 30, 2009.

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MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2009

-continued-

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

I. Defeasance of Debt

In prior years, the District defeased previously issued and outstanding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. On June 30, 2009, \$1,671,338 of the bonds outstanding are considered defeased.

NOTE 5 OTHER INFORMATION

A. 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 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.

B. Litigation and Contingencies

The District is a party to various legal actions none of which is believed by administration to have a material effect on the financial condition of the District. Accordingly, no provision for losses has been recorded in the accompanying combined financial statements for such contingencies.

The District participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at June 30, 2009 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

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MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2009

-continued-

NOTE 5 OTHER INFORMATION (continued)

C. Revenues from Local and Intermediate Sources

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

	General <u>Fund</u>	Special Revenue <u>Fund</u>	Debt Service <u>Fund</u>	Capital Projects <u>Fund</u>	<u>Total</u>
Property taxes	\$ 33,274,973		11,671,478		44,946,451
Food sales		1,581,376			1,581,376
Investment income	232,907	11,211	39,491	153,575	437,184
Penalties, interest and other tax related income	377,966		116,309		494,275
Co-curricular student activities	193,604	607,544			801,148
Other	<u>705,321</u>	<u>346,668</u>			<u>1,051,989</u>
Total	\$ <u>34,784,771</u>	<u>2,546,799</u>	<u>11,827,278</u>	<u>153,575</u>	<u>49,312,423</u>

D. Deferred Revenue

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current year. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

	General <u>Fund</u>	Special Revenue <u>Fund</u>	Debt Service <u>Fund</u>	<u>Total</u>
Net tax revenue	\$ 869,631		270,802	1,140,433
Technology allotment		<u>9,576</u>		<u>9,576</u>
Total	\$ <u>869,631</u>	<u>9,576</u>	<u>270,802</u>	<u>1,150,009</u>

E. Health Care Coverage

For the year ended June 30, 2009, employees of the District were covered by a health insurance plan (the plan). The District paid premiums of \$225 per month per employee to the plan and employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to licensed insurer. The plan was authorized by Article 3.51-2., Texas Insurance Code, and was documented by contractual agreement.

The contract between the District and the licensed insurer is renewable September 1, 2009 and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for the Blue Cross Blue Shield are available for the year ended December 31, 2008, are filed with the Texas State Board of Insurance, Austin, Texas and are public records.

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MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2009

-continued-

NOTE 5 OTHER INFORMATION (continued)

F. Pension Plan Obligations

Plan Description - The 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. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. 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 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

Funding Policy - Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (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% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of the particular action, the time required to amortize TRS' 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 law provides for a member contribution rate of 6.4% for fiscal year 2007, 2008 and 2009 and a state contribution rate of 6.0% for fiscal years 2007 and 2008 and 6.58% for fiscal year 2009. In certain instances the reporting district is required to make all or a portion of the state's 6.00% contribution for fiscal years 2007 and 2008 and 6.58% for fiscal year 2009. State contributions to TRS made on behalf of the District's employees for the years ended June 30, 2007, 2008 and 2009 were \$1,787,608, \$2,048,754, and \$2,507,057, respectively. The District paid additional state contributions for the years ended June 30, 2007, 2008 and 2009 in the amount of \$221,167, \$313,789, and \$60,037, respectively, on the portion of the employees' salaries that exceeded the statutory minimum.

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MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2009

-continued-

NOTE 5 OTHER INFORMATION (continued)

G. Retiree Health Plan

Plan Description - The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS Web site at www.trs.state.tx.us, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling 1-800-223-8778.

Funding Policy - Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2007, 2008, and 2009. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended June 30, 2007, 2008, and 2009, the State's contributions to TRS-Care were \$302,842, \$331,841, and \$353,645, respectively, the active member contributions were \$196,847, \$215,697, and \$229,869, respectively, and the school district's contributions were \$166,563, \$182,513, and \$194,505, respectively, which equaled the required contributions each year. In addition to the pension plan and TRS-Care on behalf, the District is allocated a portion of the Medicare Part D retiree drug subsidy the TRS-Care receives. The amount allocated on behalf for the year ended June 30, 2009 is estimated by TRS at \$84,496.

H. Workers' Compensation Insurance

The District was a participant in the East Texas Educational Insurance Association (ETEIA), a public entity risk pool prior to September 1, 2007. The District paid premiums to ETEIA for its workers' compensation insurance. The ETEIA has obtained reinsurance from Safety National Casualty Corporation for claims exceeding \$225,000. At June 30, 2009, the District's unpaid claims total \$97,070, including incurred but not reported (IBNR) claims of \$70,304, estimated. The District has reported this as a liability in the General Fund.

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MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2009

-continued-

NOTE 5 OTHER INFORMATION (continued)

H. Workers' Compensation Insurance (continued)

Changes in the balances of claims liability amounts in periods 2008 and 2009 are as follows:

	<u>2008</u>	<u>2009</u>
Unpaid claims, beginning of period	\$ 251,871	151,652
Incurred claims (including IBNR)	(70,570)	(16,877)
Claim payments	<u>(29,649)</u>	<u>(37,705)</u>
Unpaid claims, end of period	<u>\$ 151,652</u>	<u>97,070</u>

During the year ended June 30, 2009, the District met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers Compensation Program is authorized by Chapter 504, Texas Labor Code. All districts participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its districts and their injured employees.

The District participates in the Fund's reimbursable aggregate deductible program. As such, the District is responsible for a certain amount of claims liability as outlined on the District's Contribution and Coverage Summary document. After the District's deductible has been met, the Fund is responsible for additional claims.

The Fund and its districts are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$1.5 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2008, the Fund carries a discounted reserve of \$76,073,881 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2008, the Fund anticipates no additional liability to districts beyond their contractual obligations for payment of contributions and reimbursable aggregate deductibles.

The Fund engages the services of independent auditors to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2008, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

I. State Funding for TIRZ

The District participates in the Midlothian Development Authority Tax Increment Reinvestment Zone (TIRZ). As such, the District pays into the TIRZ the taxes collected on property in the TIRZ at a rate of \$1.50/\$100 valuation. The District anticipates reimbursement from the State for the difference between the actual maintenance and operations tax rate of \$1.04, and the amount paid to the TIRZ at the \$1.50 rate. As of June 30, 2009, the District has recorded a due from State receivable in the amount of \$3,376,097.

REQUIRED SUPPLEMENTARY INFORMATION

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 34,419,691	\$ 34,432,349	\$ 34,784,771	\$ 352,422
5800 State Program Revenues	23,563,184	23,563,184	22,541,023	(1,022,161)
5020 Total Revenues	57,982,875	57,995,533	57,325,794	(669,739)
EXPENDITURES:				
Current:				
0011 Instruction	29,175,527	28,739,180	28,549,458	189,722
0012 Instructional Resources and Media Services	829,634	884,741	884,023	718
0013 Curriculum and Instructional Staff Development	287,050	348,978	297,708	51,270
0021 Instructional Leadership	522,282	581,389	559,146	22,243
0023 School Leadership	3,165,630	3,165,066	3,072,967	92,099
0031 Guidance, Counseling and Evaluation Services	1,634,557	1,663,922	1,625,722	38,200
0032 Social Work Services	40,000	-	-	-
0033 Health Services	494,505	498,234	471,326	26,908
0034 Student (Pupil) Transportation	1,811,796	2,606,796	1,875,104	731,692
0036 Extracurricular Activities	2,262,740	2,269,060	2,067,988	201,072
0041 General Administration	1,526,046	1,522,138	1,448,592	73,546
0051 Facilities Maintenance and Operations	6,490,414	5,931,156	5,483,549	447,607
0052 Security and Monitoring Services	225,680	294,992	266,402	28,590
0053 Data Processing Services	1,059,881	1,035,796	980,981	54,815
Debt Service:				
0071 Debt Service - Principal on Long Term Debt	142,077	142,078	142,077	1
0072 Debt Service - Interest on Long Term Debt	99,623	99,623	99,623	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	86,535	78,486	63,750	14,736
Intergovernmental:				
0097 Payments to Tax Increment Fund	7,678,898	7,678,898	6,879,287	799,611
0099 Other Intergovernmental Charges	450,000	455,000	451,384	3,616
6030 Total Expenditures	57,982,875	57,995,533	55,219,087	2,776,446
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	2,106,707	2,106,707
OTHER FINANCING SOURCES (USES):				
8911 Transfers Out (Use)	-	-	(2,021)	(2,021)
7080 Total Other Financing Sources (Uses)	-	-	(2,021)	(2,021)
1200 Net Change in Fund Balances	-	-	2,104,686	2,104,686
0100 Fund Balance - July 1 (Beginning)	15,702,987	15,702,987	15,702,987	-
3000 Fund Balance - June 30 (Ending)	\$ 15,702,987	\$ 15,702,987	\$ 17,807,673	\$ 2,104,686

COMBINING STATEMENTS

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2009

Data Control Codes	204 ESEA Title IV Safe & Drug Free Schools	205 Head Start	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	
ASSETS					
1110	Cash and Cash Equivalents	\$ (630)	\$ (15,200)	\$ (90,887)	\$ 42,678
1240	Due from Other Governments	630	19,910	137,971	55,205
1290	Other Receivables	-	-	-	-
1410	Deferred Expenditures	-	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ 4,710</u>	<u>\$ 47,084</u>	<u>\$ 97,883</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	-	4,710	47,084	97,883
2180	Due to Other Governments	-	-	-	-
2300	Deferred Revenues	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>4,710</u>	<u>47,084</u>	<u>97,883</u>
Fund Balances:					
Reserved For:					
3450	Food Service	-	-	-	-
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>\$ -</u>	<u>\$ 4,710</u>	<u>\$ 47,084</u>	<u>\$ 97,883</u>

225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	244 Vocational Ed Basic Grant	255 ESEA II,A Training and Recruiting	262 Title II, D Education Technology	263 Title III, A English Lang. Acquisition	280 Readiness and Emergency Management	289 Other Federal Special Revenue Funds
\$ 3,523	\$ 329,851	\$ (28,371)	\$ 4,065	\$ -	\$ (23,992)	\$ -	\$ -
-	-	28,371	-	-	27,072	-	-
-	65	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 3,523</u>	<u>\$ 329,916</u>	<u>\$ -</u>	<u>\$ 4,065</u>	<u>\$ -</u>	<u>\$ 3,080</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ 92,002	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3,523	-	-	2,837	-	3,080	-	-
-	-	-	1,228	-	-	-	-
-	-	-	-	-	-	-	-
<u>3,523</u>	<u>92,002</u>	<u>-</u>	<u>4,065</u>	<u>-</u>	<u>3,080</u>	<u>-</u>	<u>-</u>
-	237,914	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>237,914</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 3,523</u>	<u>\$ 329,916</u>	<u>\$ -</u>	<u>\$ 4,065</u>	<u>\$ -</u>	<u>\$ 3,080</u>	<u>\$ -</u>	<u>\$ -</u>

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2009

Data Control Codes	359 SSA - ARRA ESEA 1,A Imp Basic Prg	397 Advanced Placement Incentives	404 Student Success Initiative	411 Technology Allotment
ASSETS				
1110 Cash and Cash Equivalents	\$ (2,450)	\$ (1,350)	\$ (8,763)	\$ 1,593
1240 Due from Other Governments	-	-	8,763	-
1290 Other Receivables	-	450	-	-
1410 Deferred Expenditures	2,450	900	-	7,983
1000 Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,576</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
2110 Accounts Payable	\$ -	\$ -	\$ -	\$ -
2160 Accrued Wages Payable	-	-	-	-
2180 Due to Other Governments	-	-	-	-
2300 Deferred Revenues	-	-	-	9,576
2000 Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,576</u>
Fund Balances:				
Reserved For:				
3450 Food Service	-	-	-	-
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>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,576</u>

428 High School Allotment	429 Other State Special Revenue Funds	461 Campus Activity Funds	480 Athletic Summer Camps	481 GT Summer Camp	485 MESA	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
\$ 226,803	\$ -	\$ 470,844	\$ 44,830	\$ 2,650	\$ 23	\$ 97,270	\$ 1,052,487
-	-	-	-	-	-	-	277,922
-	-	-	100	-	-	-	615
-	-	2,982	708	-	-	-	15,023
<u>\$ 226,803</u>	<u>\$ -</u>	<u>\$ 473,826</u>	<u>\$ 45,638</u>	<u>\$ 2,650</u>	<u>\$ 23</u>	<u>\$ 97,270</u>	<u>\$ 1,346,047</u>
\$ -	\$ -	\$ 282	\$ 1,500	\$ -	\$ -	\$ 8	\$ 93,792
49,730	-	-	23,530	2,650	-	52,537	287,564
-	-	-	-	-	-	-	1,228
-	-	-	-	-	-	-	9,576
<u>49,730</u>	<u>-</u>	<u>282</u>	<u>25,030</u>	<u>2,650</u>	<u>-</u>	<u>52,545</u>	<u>392,160</u>
-	-	-	-	-	-	-	237,914
177,073	-	473,544	20,608	-	23	44,725	715,973
<u>177,073</u>	<u>-</u>	<u>473,544</u>	<u>20,608</u>	<u>-</u>	<u>23</u>	<u>44,725</u>	<u>953,887</u>
<u>\$ 226,803</u>	<u>\$ -</u>	<u>\$ 473,826</u>	<u>\$ 45,638</u>	<u>\$ 2,650</u>	<u>\$ 23</u>	<u>\$ 97,270</u>	<u>\$ 1,346,047</u>

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2009

Data Control Codes	204 ESEA Title IV Safe & Drug Free Schools	205 Head Start	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula
REVENUES:				
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-
5900	Federal Program Revenues	11,958	35,034	318,694
5020	Total Revenues	<u>11,958</u>	<u>35,034</u>	<u>318,694</u>
EXPENDITURES:				
Current:				
0011	Instruction	10,960	35,034	314,223
0012	Instructional Resources and Media Services	-	-	-
0013	Curriculum and Instructional Staff Development	998	-	4,374
0021	Instructional Leadership	-	-	2,162
0023	School Leadership	-	-	558
0031	Guidance, Counseling and Evaluation Services	-	-	372,073
0032	Social Work Services	-	-	-
0033	Health Services	-	-	97
0035	Food Services	-	-	-
0036	Extracurricular Activities	-	-	-
0041	General Administration	-	-	-
0051	Facilities Maintenance and Operations	-	-	408
0052	Security and Monitoring Services	-	-	-
0053	Data Processing Services	-	-	-
0061	Community Services	-	-	-
6030	Total Expenditures	<u>11,958</u>	<u>35,034</u>	<u>318,694</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
7915	Transfers In	-	-	-
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
1200	Net Change in Fund Balance	-	-	-
0100	Fund Balance - July 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>
3000	Fund Balance - June 30 (Ending)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	244 Vocational Ed Basic Grant	255 ESEA II,A Training and Recruiting	262 Title II, D Education Technology	263 Title III, A English Lang. Acquisition	280 Readiness and Emergency Management	289 Other Federal Special Revenue Funds
\$ -	\$ 1,584,819	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	10,525	-	-	-	-	-	-
15,046	609,381	32,637	91,290	2,260	27,072	113,224	2,206
15,046	2,204,725	32,637	91,290	2,260	27,072	113,224	2,206
15,046	-	32,637	7,941	-	26,100	-	2,206
-	-	-	-	-	-	-	-
-	-	-	83,349	2,260	972	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	2,299,110	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	169	-	-	-	-	-	-
-	-	-	-	-	-	113,224	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
15,046	2,299,279	32,637	91,290	2,260	27,072	113,224	2,206
-	(94,554)	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	(94,554)	-	-	-	-	-	-
-	332,468	-	-	-	-	-	-
\$ -	\$ 237,914	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2009

Data Control Codes	359 SSA - ARRA ESEA 1,A Imp Basic Prg	397 Advanced Placement Incentives	404 Student Success Initiative	411 Technology Allotment
REVENUES:				
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -
5800	State Program Revenues	-	6,273	200,383
5900	Federal Program Revenues	-	-	-
5020	Total Revenues	<u>-</u>	<u>6,273</u>	<u>200,383</u>
EXPENDITURES:				
Current:				
0011	Instruction	-	3,048	87,629
0012	Instructional Resources and Media Services	-	-	191,083
0013	Curriculum and Instructional Staff Development	-	3,225	-
0021	Instructional Leadership	-	-	-
0023	School Leadership	-	-	-
0031	Guidance, Counseling and Evaluation Services	-	-	-
0032	Social Work Services	-	-	-
0033	Health Services	-	-	-
0035	Food Services	-	-	-
0036	Extracurricular Activities	-	-	-
0041	General Administration	-	-	-
0051	Facilities Maintenance and Operations	-	-	300
0052	Security and Monitoring Services	-	-	-
0053	Data Processing Services	-	-	9,000
0061	Community Services	-	-	-
6030	Total Expenditures	<u>-</u>	<u>6,273</u>	<u>87,629</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
7915	Transfers In	-	-	-
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
1200	Net Change in Fund Balance	-	-	-
0100	Fund Balance - July 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>
3000	Fund Balance - June 30 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

428 High School Allotment	429 Other State Special Revenue Funds	461 Campus Activity Funds	480 Athletic Summer Camps	481 GT Summer Camp	485 MESA	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 551,518	\$ 58,885	\$ 1,990	\$ 1,125	\$ 348,462	\$ 2,546,799
575,446	22	-	-	-	-	-	880,278
-	-	-	-	-	-	-	2,463,332
<u>575,446</u>	<u>22</u>	<u>551,518</u>	<u>58,885</u>	<u>1,990</u>	<u>1,125</u>	<u>348,462</u>	<u>5,890,409</u>
408,767	-	220,021	-	4,838	-	-	2,182,155
-	22	94,223	-	-	-	-	94,245
23,943	-	213	-	-	-	-	126,041
-	-	-	-	-	-	-	2,162
-	-	103,435	-	-	-	-	103,993
39,693	-	-	-	-	-	-	411,766
110,000	-	-	-	-	-	-	110,000
-	-	-	-	-	-	-	97
-	-	-	-	-	-	-	2,299,110
-	-	102,853	69,152	-	-	-	172,005
-	-	2,268	-	-	1,366	-	3,634
-	-	-	-	-	-	440	1,317
-	-	-	-	-	-	16	113,240
-	-	-	-	-	-	-	9,000
-	-	-	-	-	-	384,127	384,127
<u>582,403</u>	<u>22</u>	<u>523,013</u>	<u>69,152</u>	<u>4,838</u>	<u>1,366</u>	<u>384,583</u>	<u>6,012,892</u>
(6,957)	-	28,505	(10,267)	(2,848)	(241)	(36,121)	(122,483)
-	-	-	-	2,021	-	-	2,021
-	-	-	-	2,021	-	-	2,021
(6,957)	-	28,505	(10,267)	(827)	(241)	(36,121)	(120,462)
<u>184,030</u>	<u>-</u>	<u>445,039</u>	<u>30,875</u>	<u>827</u>	<u>264</u>	<u>80,846</u>	<u>1,074,349</u>
<u>\$ 177,073</u>	<u>\$ -</u>	<u>\$ 473,544</u>	<u>\$ 20,608</u>	<u>\$ -</u>	<u>\$ 23</u>	<u>\$ 44,725</u>	<u>\$ 953,887</u>

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REQUIRED T.E.A. SCHEDULES

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED JUNE 30, 2009

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2000 and prior years	Various	Various	\$ Various
2001	1.400000	0.309701	1,412,013,347
2002	1.500000	0.220000	1,827,258,899
2003	1.482550	0.237450	1,983,628,082
2004	1.500000	0.220000	2,118,264,651
2005	1.500000	0.264500	2,251,883,820
2006	1.500000	0.287500	2,453,615,441
2007	1.370000	0.327500	2,678,331,075
2008	1.040000	0.327500	2,958,972,505
2009 (School year under audit)	1.040000	0.367500	2,837,748,845
1000 TOTALS			
9000	Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code		\$ <u>501,559,832</u>

(10) Beginning Balance 7/1/2008	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2009
\$ 53,169	\$ -	\$ 1,482	\$ 255	\$ (23,467)	\$ 27,965
17,153	-	1,409	312	(7,599)	7,833
43,849	-	12,642	1,854	(17,584)	11,769
121,725	-	46,376	7,428	(44,565)	23,356
184,939	-	55,539	8,145	(90,489)	30,766
197,956	-	68,376	12,057	(79,992)	37,531
191,736	-	89,106	17,079	(28,577)	56,974
317,271	-	161,938	38,711	(38,921)	77,701
828,202	-	478,940	150,821	(46,634)	151,807
-	39,941,315	32,359,739	11,434,816	4,694,686	841,446
<u>\$ 1,956,000</u>	<u>\$ 39,941,315</u>	<u>\$ 33,275,547</u>	<u>\$ 11,671,478</u>	<u>\$ 4,316,858</u>	<u>\$ 1,267,148</u>
\$ 6,808	\$ 7,059,455	\$ 5,201,956	\$ 1,838,191	\$ (6,635)	\$ 19,481

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2010-2011
 GENERAL AND SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2009

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

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collections	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (other) Miscellaneous	7 Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 239,805	\$ 787,147	\$ -	\$ -	\$ 1,026,952
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	2,624	-	-	2,624
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	100,022	-	-	-	-	-	100,022
6212	Audit Services	-	-	-	32,000	-	-	32,000
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	469,272	-	-	-	-	469,272
621X	Other Professional Services	29,757	-	1,500	7,224	-	-	38,481
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	17,213	-	-	-	-	-	17,213
6240	Contr. Maint. and Repair	-	-	-	-	40	-	40
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	5,783	-	-	5,783
6290	Miscellaneous Contr.	-	-	-	14,854	-	-	14,854
6320	Textbooks and Reading	-	-	460	942	-	-	1,402
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	2,327	-	2,824	45,477	-	-	50,628
6410	Travel, Subsistence, Stipends	11,461	-	10,308	15,218	-	-	36,987
6420	Ins. and Bonding Costs	22,655	-	-	81	-	-	22,736
6430	Election Costs	2,696	-	-	-	-	-	2,696
6490	Miscellaneous Operating	43,039	-	5,993	39,273	-	-	88,305
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	\$ 229,170	\$ 469,272	\$ 260,890	\$ 950,623	\$ 40	\$ -	\$ 1,909,995

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 61,231,976

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10) \$ 197,844
Total Debt & Lease(6500)	(11) 241,700
Plant Maintenance (Function 51, 6100-6400)	(12) 5,404,107
Food (Function 35, 6341 and 6499)	(13) 2,270
Stipends (6413)	(14) -
Column 4 (above) - Total Indirect Cost	950,623

SubTotal:

6,796,544

Net Allowed Direct Cost

\$ 54,435,432

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15) \$ 204,141,712
Historical Cost of Building over 50 years old	(16) \$ 5,849,457
Amount of Federal Money in Building Cost (Net of #16)	(17) \$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18) \$ 6,997,996
Historical Cost of Furniture & Equipment over 16 years old	(19) \$ 1,126,185
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20) \$ -

(8) NOTE A: \$6,386 in Function 53 expenditures are included in this report on administrative costs.

\$451,384 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
 FUNDBALANCE AND CASH FLOW CALCULATION WORKSHEET-GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2009

UNAUDITED

1	Total General Fund Balance as of 6/30/09 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 17,807,673
2	Total Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund Only)	\$ 948,036	
3	Total Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund Only)	6,904,000	
4	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.)	-	
5	Estimate of one month's average cash disbursements during the regular school session (9/1/09-5/31/10).	4,961,894	
6	Estimate of delayed payments from state sources (58xx) including August payment delays	5,698,574	
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)	410,625	
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>18,923,129</u>
11	Excess (Deficit) Undesignated Unreserved General Fund Balance (Line 1 minus Line 10)		<u>\$ (1,115,456)</u>

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED JUNE 30, 2009

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 1,663,137	\$ 1,583,137	\$ 1,584,819	\$ 1,682
5800 State Program Revenues	10,394	10,525	10,525	-
5900 Federal Program Revenues	597,487	609,387	609,381	(6)
5020 Total Revenues	2,271,018	2,203,049	2,204,725	1,676
EXPENDITURES:				
0035 Food Services	2,226,443	2,335,943	2,299,110	36,833
0051 Facilities Maintenance and Operations	1,000	1,000	169	831
6030 Total Expenditures	2,227,443	2,336,943	2,299,279	37,664
1200 Net Change in Fund Balances	43,575	(133,894)	(94,554)	39,340
0100 Fund Balance - July 1 (Beginning)	332,468	332,468	332,468	-
3000 Fund Balance - June 30 (Ending)	\$ 376,043	\$ 198,574	\$ 237,914	\$ 39,340

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 DEBT SERVICE FUND
 FOR THE YEAR ENDED JUNE 30, 2009

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 11,617,903	\$ 11,652,903	\$ 11,827,278	\$ 174,375
5800 State Program Revenues	-	-	395,347	395,347
5020 Total Revenues	11,617,903	11,652,903	12,222,625	569,722
EXPENDITURES:				
Debt Service:				
0071 Debt Service - Principal on Long Term Debt	2,256,235	2,256,235	2,256,235	-
0072 Debt Service - Interest on Long Term Debt	9,668,161	9,687,971	9,677,434	10,537
0073 Debt Service - Bond Issuance Cost and Fees	17,100	32,290	19,000	13,290
6030 Total Expenditures	11,941,496	11,976,496	11,952,669	23,827
1200 Net Change in Fund Balances	(323,593)	(323,593)	269,956	593,549
0100 Fund Balance - July 1 (Beginning)	4,327,987	4,327,987	4,327,987	-
3000 Fund Balance - June 30 (Ending)	\$ 4,004,394	\$ 4,004,394	\$ 4,597,943	\$ 593,549

FEDERAL AWARDS SECTION

PINGLETON, HOWARD & COMPANY, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

P. O. BOX 148

FRISCO, TEXAS 75034

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MEMBERS
AMERICAN INSTITUTE OF CPAs
AICPA DIVISION FOR CPA FIRMS
TEXAS SOCIETY OF CPAs

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITOR'S REPORT

Board of School Trustees
Midlothian Independent School District
100 Walter Stephenson Road
Midlothian, Texas 75065

Members of the Board:

We have audited the basic financial statements of Midlothian Independent School District, Midlothian, Texas, as of and for the year ended June 30, 2009, and have issued our report thereon dated August 28, 2009. 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 Midlothian Independent School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements but not for the purpose of expressing an opinion on the effectiveness of Midlothian Independent School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Midlothian Independent School 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 principals 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 considered to be material weaknesses as defined above.

Compliance

As part of obtaining reasonable assurance about whether Midlothian Independent School District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the District's trustees, the audit committee, the administration, the Texas Education Agency, and federal awarding agencies and pass-through entities, and is not intended to be used and should not be used by anyone other than these specified parties.

/s/ Pingleton, Howard & Company, P.C.

August 28, 2009

PINGLETON, HOWARD & COMPANY, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

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FRISCO, TEXAS 75034

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees

Midlothian Independent School District

100 Walter Stephenson Road

Midlothian, Texas 75065

Members of the Board:

Compliance

We have audited the compliance of the Midlothian Independent School District, Midlothian, Texas 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 June 30, 2009. Midlothian Independent School 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 Midlothian Independent School District's management. Our responsibility is to express an opinion on Midlothian Independent School 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 Midlothian Independent School 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 Midlothian Independent School District's compliance with those requirements.

In our opinion Midlothian Independent School 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 June 30, 2009.

Internal Control Over Compliance

The administration of Midlothian Independent School 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 Midlothian Independent School 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 of 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 a 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 the 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 for the information of the District's trustees, audit committee, administration, the Texas Education Agency, and federal awarding agencies and pass-through entities, and is not intended to be used and should not be used by anyone other than these specified parties.

/s/ Pingleton, Howard & Company, P.C.

August 28, 2009

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For Year Ended June 30, 2009

<u>Program</u>	<u>Description</u>	
Type of Report on Financial Statements	Unqualified	
Control Deficiencies	None	
Material Weaknesses Involving Control Deficiencies	None	
Noncompliance Material to the Financial Statements	None	
Type of Report on Compliance with Major Programs	Unqualified Opinion	
Findings and Questioned Costs for Federal Awards as Defined in Section.510(a), OMB Circular A-133	None	
Dollar Threshold Considered Between Type A and Type B Federal Programs	\$500,000	
Low Risk Auditee Statements	The District was classified as a low risk Auditee in the context of OMB Circular A-133.	
Major Federal Program	National School Breakfast and Lunch Program	10.555
	Donated Commodities	10.550
	IDEA - Part B, Preschool	84.173
Pass-through Entity	Texas Education Agency	

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT

Schedule of Status of Prior Findings

For Year Ended June 30, 2009

<u>Program</u>	<u>Status of Prior Year's Finding/ Noncompliance</u>
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- NONE -

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT

Corrective Action Plan
For Year Ended June 30, 2009

Program

Corrective Action Plan

- NONE -

Contact person: Dr. Edd Bigbee
Assistant Superintendent for Finance and Operations

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Direct Programs</u>			
Readiness and Emergency Management	84.184E		\$ 113,224
Total Direct Programs			\$ 113,224
<u>Passed Through Region X</u>			
Title III, Part A - English Language Acquisition	84.365A	9671001070908	\$ 27,072
Total Passed Through Region X			\$ 27,072
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	9610101070908	\$ 318,694
IDEA - Part B, Formula	84.027	9660001070908	1,204,530
Career and Technical - Basic Grant	84.048	9420006070908	32,637
IDEA - Part B, Preschool	84.173	9661001070908	15,046
ESEA Title IV - Safe and Drug-Free Schools	84.186A	9691001070908	11,958
Title II, Part D - Enhancing Ed. Through Technology	84.318X	9630001070908	2,260
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	9694501070908	91,290
Summer School LEP	84.369A	9955050270908	2,206
Total Passed Through State Department of Education			\$ 1,678,621
TOTAL DEPARTMENT OF EDUCATION			\$ 1,818,917
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Region X</u>			
Head Start	93.660	09CH0391	\$ 35,034
Total Passed Through Region X			\$ 35,034
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 35,034
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through Texas Department of Human Services</u>			
Donated Commodities	10.550		\$ 57,094
Total Passed Through Texas Department of Human Services			\$ 57,094
<u>Passed Through the State Department of Agriculture</u>			
National School Breakfast & Lunch Program	10.555		\$ 552,287
Total Passed Through the State Department of Agriculture			\$ 552,287
TOTAL DEPARTMENT OF AGRICULTURE			\$ 609,381
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,463,332

*Clustered Programs as required by Compliance Supplement March, 2009