

CITY OF MIDLOTHIAN, TEXAS

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR THE YEAR ENDED
SEPTEMBER 30, 2010**

As Prepared By:

Finance Department

City of Midlothian, Texas

**CITY OF MIDLOTHIAN, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED SEPTEMBER 30, 2010**

TABLE OF CONTENTS

	Exhibit	Page
I. INTRODUCTORY SECTION		
Letter of Transmittal		i
Certificate of Achievement		vi
Organizational Chart		vii
Principal Officers		viii
II. FINANCIAL SECTION		
Independent Auditor's Report		1
A. MANAGEMENT'S DISCUSSION AND ANALYSIS.....		3
B. BASIC FINANCIAL STATEMENTS		
Government-Wide Financial Statements		
Statement of Net Assets.....	1	11
Statement of Activities	2	12
Fund Financial Statements		
Governmental Fund Financial Statements		
Balance Sheet	3	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.....	4	15
Statement of Revenues, Expenditures and Changes in Fund Balance.....	5	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities.....	6	17
Proprietary Fund Financial Statements		
Statement of Fund Net Assets	7	18
Statement of Revenues, Expenses and Changes In Fund Net Assets	8	20
Statement of Cash Flows	9	21
Discretely Presented Component Units		
Combining Statement of Net Assets.....	10	23
Combining Statement of Activities.....	11	24
Notes to Financial Statements		26

**CITY OF MIDLOTHIAN, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED SEPTEMBER 30, 2010**

TABLE OF CONTENTS

	Exhibit	Page
C. REQUIRED SUPPLEMENTARY INFORMATION		
Budgetary Comparison Schedule – General Fund.....	A-1	65
Notes to Required Supplementary Information		66
Schedule of Funding Progress-Retirement Systems	A-2	67
D. COMBINING SCHEDULES AND STATEMENTS		
NON MAJOR GOVERNMENTAL FUNDS.....		68
Combining Balance Sheet –		
Non Major Governmental Funds.....	B-1	69
Combining Statement of Revenues, Expenditures and Changes In Fund Balance –		
Non Major Governmental Funds.....	B-2	71
E. STATISTICAL SECTION		
	Table	Page
Net Assets by Component	1	73
Changes in Net Assets.....	2	74
Fund Balances, Governmental Funds.....	3	76
Changes in Fund Balances of Governmental Funds	4	77
Assessed Value and Estimated Actual Value of Taxable Property	5	78
Direct and Overlapping Property Tax Rates.....	6	79
Principal Property Tax Payers Less T.I.R.Z.		
Taxable Real Property.....	7	80
Ad Valorem Tax Levies and Collections	8	81
Ratio of Outstanding Debt by Type	9	82
Ratio of General Bonded Debt Outstanding.....	10	83
Direct and Overlapping Governmental Activities Debt	11	84
Pledged-Revenue Coverage	12	85
Demographic and Economic Statistics.....	13	86
Principal Employers	14	87
Full-Time Equivalent City Government		
Employees by Function/Program	15	88
Operating Indicators by Function/Program	16	89
Capital Asset Statistics by Function/Program	17	90

INTRODUCTORY SECTION



February 17, 2011

*Citizens of Midlothian, Honorable Mayor and Members of City Council
City of Midlothian
Midlothian, Texas*

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report of the City of Midlothian, Texas for the fiscal year ended September 30, 2010.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The City of Midlothian's financial statements have been audited by Weaver and Tidwell, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Midlothian for the fiscal year ended September 30, 2010 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and, evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Midlothian's financial statements for the fiscal year ended September 30, 2010, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City of Midlothian, incorporated in 1888, is located in the northwest part of Ellis County, approximately 25 miles southwest of Dallas, on U.S. Highway 67, and ten miles northwest of Waxahachie, on U.S. Highway 287. The City of Midlothian is part of the Dallas/Fort Worth

Metroplex and encompasses an approximate area of 50.54 square miles, with an estimated population of 17,150. The City of Midlothian is empowered to levy a property tax on both real and personal properties located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council.

The City is a home rule city, operating under the Council-Manager form of government. Policy-making and legislative authority are vested in a governing council consisting of the mayor and six other members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City's Manager. The City Manager is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments. The council is elected on a non-partisan, at-large basis. Council members serve three (3) year staggered terms so that at least two members are elected every year.

The City provides to its citizens those services that have proven to be necessary and meaningful and which the City can provide at the lowest practicable cost. These services include police and fire protection, emergency ambulance service, water and sewer services, park and recreational facilities, street improvements, and general administrative services. The City includes all government activities, organizations and functions for which the City is financially accountable as defined by the GASB. Based on these criteria other governmental organizations are included in the City's financial statements (see Note 1B of the Notes to the Financial Statements). The discretely presented Component Units included are the Corporation for the Economic Development of the City of Midlothian (CEDM), the Midlothian Community Development Corporation (MCDC) and the Midlothian Development Authority (MDA). The CEDM and MCDC are governed by separate boards, appointed by the City's elected council. Each of these entities is funded by a one half of one percent sales tax.

The Midlothian Development Authority/Tax Increment Reinvestment Zone (TIRZ) consists of a nine member board, with five of those being appointed by the City Council. The TIRZ was created for the purpose of facilitating development of a mixed-use industrial park. From properties located within the zone, the City of Midlothian, Ellis County, and the Midlothian Independent School District have agreed to deposit to the TIRZ fund a certain percentage of tax collections generated from their respective taxation. The Authority issues Tax Increment Revenue Bonds to build infrastructure within or associated with the zone. The bonds are limited obligations solely of the Authority and are not obligations of the City, and do not give rise to a charge against the general taxing powers of the City.

The annual budget serves as the foundation for the City of Midlothian's financial planning and control. All agencies of the City of Midlothian are required to submit requests for appropriation to the City Manager. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the Council for review prior to August 1. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than 10 days prior to the beginning of the fiscal year by passage of a budget ordinance. Department heads may make transfers of appropriations within a department. Transfer of appropriations between departments requires the approval of the City Manager. The City Council must approve any revisions that alter the total appropriations of any fund. A budget-to-actual comparison must be provided in this report for each major individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 65 as part of the required supplementary information.

Economic Outlook and Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered within the context within which the City operates.

Local Economy

Midlothian's location is served by two major highways. US Hwy 67 travels north and south, and US Highway 287 travels east to west. The City is within 15 miles of IH 35 E and IH 20. These major highways provide easy access to Dallas/Fort Worth and the surrounding Metroplex area.

Midlothian is home to a diversified group of manufacturing and distribution firms. Products manufactured range from cement to steel, along with a retail sales distribution center, and one of the largest retail toy distribution centers in the State.

The City also benefits from a well-educated and affluent workforce. Midlothian's average household effective buying income is \$76,851.

The City is 44% developed with a projected 2011 growth rate of 2.37%. The City of Midlothian, since 2000, is one of the fifty fastest growing cities in the nine county, North Texas region.

Advanced education is available with the 2006 opening of Navarro Community College. Navarro has also partnered with Texas A&M Commerce to offer a four year degree program at the Midlothian Campus. Additional college opportunities within a 60 mile radius include Northwood University, Southern Methodist University, Texas Christian University, University of North Texas, University of Texas at Arlington and many others. In addition, there are several trades, industrial and technical schools located throughout the area. The Midlothian Independent School District is one of the fastest growing districts in the State of Texas, making the City of Midlothian a sought after environment with small town appeal.

Air transportation is available at nearby Dallas/Fort Worth International Airport and Love Field for national and international travel. Mid-Way Regional Airport is located within three miles of downtown Midlothian, for private/commercial services. The Mid-Way airport is jointly owned by the cities of Midlothian and Waxahachie.

Medical services are available, with the largest hospital located in Ellis County, Baylor Medical Center, located within minutes of Midlothian. Services are also available through several primary care medical providers located in the City limits. The Metroplex area is served by more than seventy hospitals offering specialized services, including major trauma care.

The City has 362 acres of undeveloped park land, and 95 acres of developed park land that provide soccer fields, baseball fields, tennis courts, and playground areas. The City also operates a sports park jointly with the Midlothian Independent School District. The voters approved a bond package in May 2006 for a new multi-use community park facility to encompass baseball, football, soccer fields and tennis courts, as well as a walking trail and picnic area. This park is expected to be approximately 157 acres when completed. The downturn of new residential growth has delayed construction of this project although the land has been acquired.

The Dallas Fort Worth Metroplex hosts several professional sports teams including the Dallas Cowboys, Dallas Mavericks, Texas Rangers and Dallas Stars. Access to these professional sports teams are within a thirty minute drive from Midlothian. The Dallas/Fort Worth area offers a variety of cultural opportunities such as: museums, botanical gardens, Six Flags over Texas, and Texas Motor Speedway. There is several 18-hole championship golf courses located within a short driving distance of the City.

Comprehensive Plan

The City of Midlothian has adopted a Comprehensive Plan with goals and objectives that will help to shape and direct growth and development for the next twenty years and beyond. The plan is based upon a shared vision of the citizenry and stakeholders. In fiscal year 2010, building permits were approved for 166 single-family homes with an estimated average value of \$182,000. There are currently 2,992 platted residential lots in active subdivisions with 581 lots available for construction.

Long-Term financial Planning

The City's five-year Strategic Plan identifies personnel, equipment and capital project needs. The plan is revised at least every two years, with the most recent City Council- approved update in May, 2010. The five-year plan for revenue is projected based on population estimates, along with housing and business growth. Annual population growth has averaged approximately 7.78% for the past five years. Sales tax has increased slightly during the current year, and the economic conditions projected to remain flat.

Department Directors are responsible for reviewing historical performance measures and planning for the five year financial needs to continue to provide the existing level of services to the citizens. The Finance Director and Budget Analyst are responsible for preparing long-term revenue and expenditure forecasts. The department performance measures are evaluated to assist with calculating long term financial needs. The un-issued debt is calculated based on construction plans, and is also included in the five-year plan. This enables the City Manager and Finance Director to evaluate and forecast the tax rate for not only maintenance and operations, but for the debt as well. Capital improvements that may require a future bond election are also taken into consideration when setting long term financial plans.

The City continues to maintain a healthy fund balance. The General Fund's unreserved fund balance is \$8,684,283; of that amount a 90 day reserve of \$3,770,988 is maintained. Within the FY 2010-2011 Budget, Council approved the use of unreserved funds in the amount of \$511,736 for legal expenses, and one time capital expenditures.

In May 2006 the voters approved a \$31,090,000 bond package that will build new streets and add a multi-use park. This debt was planned to be issued in increments over the next six years. Debt was not issued from the 2006 bond package in 2010 due to the economic conditions which made issuing any additional general government debt in 2010 difficult. The Enterprise fund issued \$25,010,000 in debt in 2008 to construct a second water treatment plant; construction began in 2009 and has a scheduled completion date of 2012.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial reporting to the City of Midlothian for its comprehensive annual financial report for the fiscal year ended September 30, 2009. This was the fifth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized comprehensive annual financial report that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

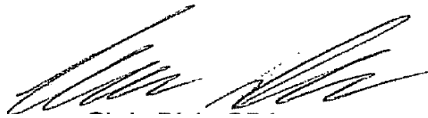
In addition, the City of Midlothian received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated October 1, 2009. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department. We wish to express our appreciation to all members of the Department who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Midlothian's finances.

Respectfully submitted,



*Don Hastings, AICP
City Manager*



*Chris Dick, CPA
Finance Director*

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Midlothian
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2009

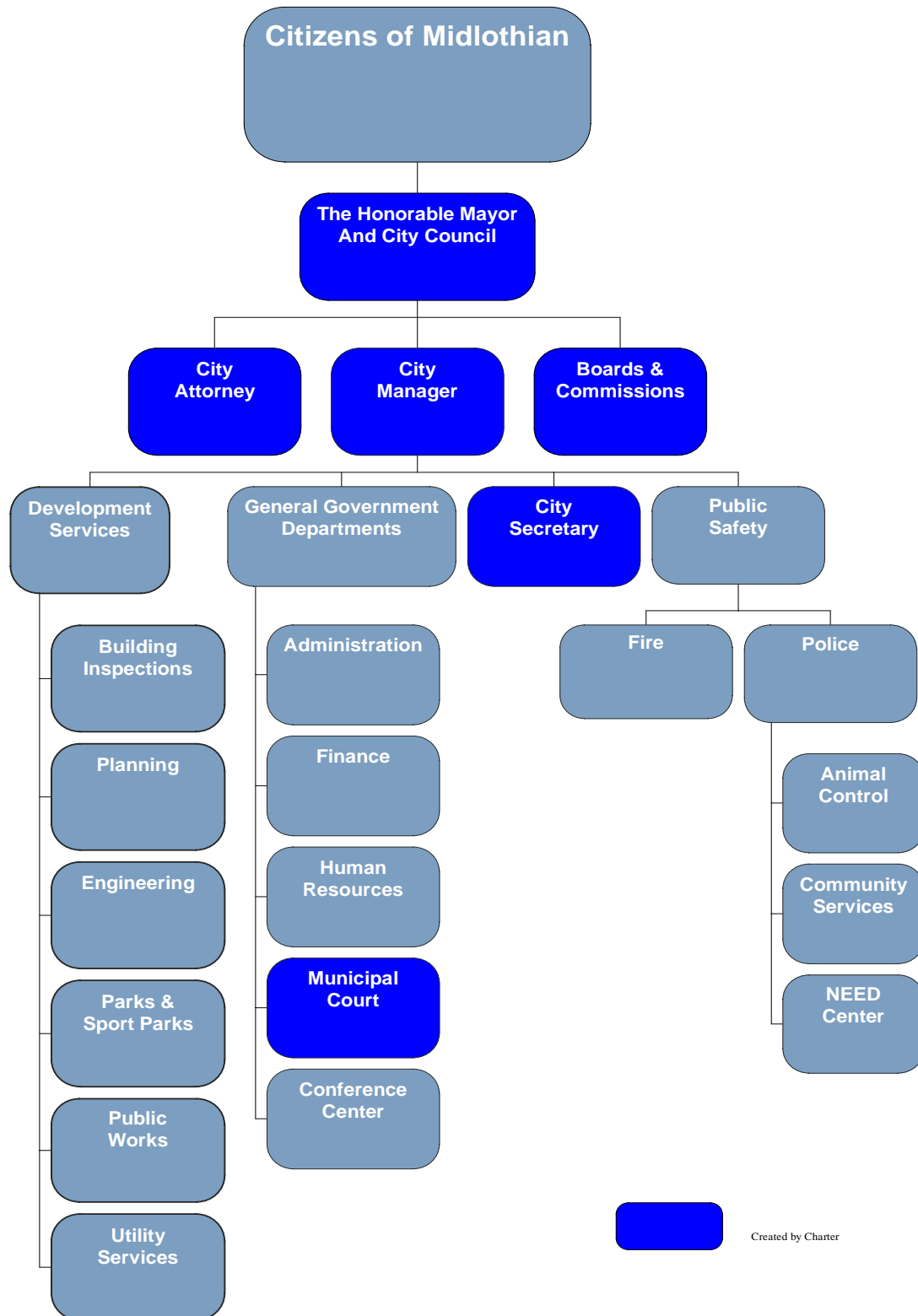
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

City of Midlothian, Texas



CITY OF MIDLOTHIAN, TEXAS

PRINCIPAL OFFICERS

SEPTEMBER 30, 2010

MAYOR

Boyce Whatley

MAYOR PRO-TEM

Joe Frizzell

CITY COUNCIL

**Jamie Wickliffe
Bill Houston
Jason Kyle
Hank Miller
Steve Massey**

CITY MANAGER

Don Hastings, AICP

FINANCE DIRECTOR

Chris Dick, CPA

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor
and Members of the City Council
City of Midlothian, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component units, and the aggregate remaining fund information of the City of Midlothian, Texas as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the discretely presented component units, and the aggregate remaining fund information of the City of Midlothian, Texas as of September 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis (pages 3 through 10), budgetary comparison information (page 65), and the schedule of funding progress for participation in retirement systems (page 67), are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

To the Honorable Mayor
and the Members of the City Council
City of Midlothian, Texas

In accordance with *Government Auditing Standards*, we have issued a report dated February 17, 2011, on our consideration of the City's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of 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. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining nonmajor fund financial statements, and statistical tables listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City. The combining nonmajor fund financial statements 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. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on such data.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
February 17, 2011

CITY OF MIDLOTHIAN, TEXAS

Management's Discussion and Analysis For The Year Ended September 30, 2010 (Unaudited)

As management of the City of Midlothian, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2010.

FINANCIAL HIGHLIGHTS

- The assets of the City of Midlothian exceeded its liabilities at the close of the most recent fiscal year by \$139,651,525 (net assets). Of this amount, \$24,787,314 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City's total net assets increased by \$2,722,544 for the current fiscal year which resulted from capital contributions from infrastructure, and activity in the city's water and sewer fund. In addition, the City reported a prior period adjustment for \$5,163,222 related to the Midlothian Conference Center. In previous years the Midlothian Conference Center was listed as an asset of the Midlothian Community Development Corporation. However, the Midlothian Conference Center is an asset of the City of Midlothian as it was considered donated to the City upon completion of construction. Accordingly, beginning net assets as previously reported have been restated to reflect the asset in the appropriate reporting entity
- As of the close of the current fiscal year, the City of Midlothian's governmental funds reported combined ending fund balances of \$16,266,972. Eighty-one percent (81%) of this total amount or \$13,217,774 is unreserved and available for use within the City's designation and policies.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$8,684,283 or 57% of the total general fund expenditures.
- The City's long-term debt decreased \$4,531,302 or 3.9%, primarily due from the annual principal payment, a refunding, and no additional debt was issued. During the 09-10 Fiscal year, the City added a contingent liability of \$949,855 for claims and judgments due to final agreement with the Texas Department of Transportation on the U.S. Hwy 287 Bypass project (\$600,000) and an estimated refund from a property tax appeal case (\$349,855).

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City

CITY OF MIDLOTHIAN, TEXAS

Management's Discussion and Analysis
For The Year Ended September 30, 2010
(Unaudited)

include general government and administration, public safety, public works and cultural and recreation. The business-type activities of the City include Water and Sewer operations. The government-wide financial statements can be found on page 11-13 of this report.

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories- governmental funds and proprietary funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities

The City maintains 12 governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General, Debt Service, and Capital Project Funds, all of which are considered to be major funds. Data from the other 9 funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental funds financial statements can be found on pages 14-17.

Proprietary Funds - Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Midlothian uses an enterprise fund to account for its Water and Sewer fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Water and Sewer fund which is considered to be a major fund of the City. The basic proprietary fund financial statements can be found on pages 18-22 of this report.

Notes to the Financial Statements — the notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-64.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees, and the General fund budgetary information. Required supplementary information can be found on pages 65-67 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information. Combining statements and schedules can be found on pages 68-72 of this report.

CITY OF MIDLOTHIAN, TEXAS

Management's Discussion and Analysis
 For The Year Ended September 30, 2010
 (Unaudited)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Midlothian, assets exceeded liabilities by \$139,651,525 as of September 30, 2010.

The largest portion of the City's net assets \$102,561,982 (73%) reflects its investments in capital assets (e.g., land, building, equipment, improvements, construction in progress and infrastructure), less any debt used to acquire those assets that is still outstanding. The largest increase in capital assets was roadway and drainage improvements (\$4,489,832). This amount was offset by a decrease in CIP due to a decision made by the State of Texas to postpone a highway project. In addition, the capital assets for the Enterprise fund increased by \$4,913,036 due to the construction of a new Water Treatment plant. The City uses these capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Current assets decreased overall by \$6,106,055 for the use of cash to build the water treatment plant for the Business-type activities, and the Governmental activities cash increased slightly due to unanticipated revenue's for sales tax and building permits. Long term liabilities decreased by \$6,217,223 for the Fiscal year ended 09-10 from principal debt payments made, as well as \$5.75 million of G.O. refunding bonds which resulted in an economic gain of \$561,232, and a reduction of \$627,203 in future debt service payments.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2010	2009	2010	2009	2010	2009
Current and other Assets	\$ 28,502,512	\$ 28,114,530	\$ 41,153,828	\$ 47,453,756	\$ 69,656,340	\$ 75,568,286
Capital Assets	99,228,476	96,211,168	90,527,586	85,614,550	189,756,062	181,825,718
Total Assets	127,730,988	124,325,698	131,681,414	133,068,306	259,412,402	257,394,004
Long Term Liabilities	45,663,876	46,755,227	70,514,862	73,954,813	116,178,738	120,710,040
Other Liabilities	1,709,015	1,825,056	1,873,124	3,093,149	3,582,139	4,918,205
Total Liabilities	47,372,891	48,580,283	72,387,986	77,047,962	119,760,877	125,628,245
Invested in Capital Assets, net of related debt	60,076,738	54,259,343	42,485,244	38,620,941	102,561,982	92,880,284
Restricted	7,205,824	7,415,494	5,096,405	5,990,113	12,302,229	13,405,607
Unrestricted	13,075,535	14,070,578	11,711,779	11,409,290	24,787,314	25,479,868
Net Assets	\$80,358,097	\$75,745,415	\$59,293,428	\$56,020,344	\$139,651,525	\$131,765,759

An additional portion of the City's net assets (8.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$24,787,314 may be used to meet the government's ongoing obligations to citizens and creditors.

As of September 30, 2010, the City is able to report positive balances in all three categories of net assets, both for the primary government as a whole, as well as for its separate governmental and business-type activities

The following table provides a summary of the City's operations for the year ended September 30, 2010.

CITY OF MIDLOTHIAN, TEXAS

Management's Discussion and Analysis
 For The Year Ended September 30, 2010
 (Unaudited)

The following table provides a summary of the City's operations for the year ended September 30, 2010.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
Program Revenues:	2010	2009	2010	2009	2010	2009
Fees, fines and charges for services	\$ 2,520,263	\$ 2,141,547	\$ 8,969,864	\$ 9,020,455	\$ 11,490,127	\$ 11,162,002
Operating Grants and Contributions	1,117,482	716,785	-	-	1,117,482	716,785
Capital Grants and Contributions	4,549,205	3,587,353	1,781,928	1,739,780	6,331,133	5,327,133
General Revenues:						
Ad Valorem Taxes	14,427,645	13,850,859	-	-	14,427,645	13,850,859
Other Taxes	20,645	20,142	-	-	20,645	20,142
Franchise Taxes	2,362,513	2,349,155	-	-	2,362,513	2,349,155
Sales Tax	1,801,035	1,825,763	-	-	1,801,035	1,825,763
Investment Earnings	78,442	252,125	100,228	308,837	178,670	560,962
Penalties & Interest	138,459	103,432	-	-	138,459	103,432
Miscellaneous	663,165	516,764	-	261,017	663,165	777,781
Total Revenues	27,678,854	25,363,925	10,852,020	11,330,089	38,530,874	36,694,014
Expenses:						
General Government	7,543,122	6,828,752	-	-	7,543,122	6,828,752
Public Safety	8,279,339	7,626,384	-	-	8,279,339	7,626,384
Public Works	8,174,318	6,262,354	-	-	8,174,318	6,262,354
Cultural and Recreation	832,755	963,167	-	-	832,755	963,167
Interest on Long Term Debt	2,146,258	2,265,172	-	-	2,146,258	2,265,172
Water and Sewer	-	-	8,832,538	9,382,185	8,832,538	9,382,185
Total Expenses	26,975,792	23,945,829	8,832,538	9,382,185	35,808,330	33,328,014
Increases in net assets before transfers	703,062	1,418,096	2,019,482	1,947,904	2,722,544	3,366,000
Transfers	(1,253,602)	(1,989,896)	1,253,602	1,989,896	-	-
Change in Net Assets	(550,540)	(571,800)	3,273,084	3,937,800	2,722,544	3,366,000
Net Assets-Oct. 1	75,745,415	76,317,215	56,020,344	52,082,544	131,765,759	128,399,759
Prior period adjustment	5,163,220	-	-	-	5,163,220	-
Net Assets-Sept. 30	\$ 80,358,099	\$ 75,745,415	\$ 59,293,428	\$ 56,020,344	\$ 139,651,527	\$ 131,765,759

CITY OF MIDLOTHIAN, TEXAS

Management's Discussion and Analysis
For The Year Ended September 30, 2010
(Unaudited)

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental funds - The focus of the City of Midlothian's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City of Midlothian's governmental funds reported combined ending fund balances of \$16,266,972. Approximately 81.4% of this total amount (\$13,217,774) constitutes unreserved fund balance. Of this amount, \$4,558,703 is designated for Capital Project Funds and \$8,684,283 for the General Fund. The remainder of the fund balance (\$3,049,198) is reserved to indicate that it is not available for new spending because it has already been committed: 1) to provide for inventory and prepaid items \$44,246, 2) to pay for debt service \$2,684,279, 3) reserved for Police \$7,154, 4) reserved for Restoration \$3,773, 5) reserved for City promotion \$90,442, 6) reserved for City beautification \$61,705, 7) reserved for Police Academy \$9,486, 8) reserved for Municipal Court \$102,654, 9) reserved for public improvement district \$1,551, and 10) Reserved for Conference Center \$43,908. The City also requires a 90 day reserve for the General Fund. The FY10-11 90-day reserve is \$3,770,988. This leaves an unreserved balance of \$4,957,541 in the General Fund and \$4,558,703 in the Capital Projects Fund.

The increase in fund balance for the General fund is due primarily from an increase in sales tax and franchise fees by 1%. Revenues were up for licenses and permits by 27.3%, Intergovernmental, and Other Revenues were also above budget projections.

The difference between the original budget and the final amended budget in the general fund was \$673,108 and is the result of encumbrances for goods or services reappropriated from the 08-09 budget year (\$43,028), and Council approved budget amendments for the purchase of capital equipment and building improvements (\$630,080).

The fund balance for the Capital Projects Fund increased by \$559,255 (12.3%) due to construction activity postponed by the State of Texas, and funds were returned to the city for future projects. The city did not issue any new debt in 09-10 for General Government. The projects that were capitalized in 09-10 resulted in \$227,076 in additions.

The General Debt Service fund balance decreased by \$86,588, due to a decrease in investment income and delinquent tax collections. The fund balance for the non major governmental funds decreased by \$75,014. The City Beautification fund, a non major fund, decreased by \$44,758 for a restoration project approved by council in 08-09. This fund can be used only for street landscaping and city beautification projects. The Municipal Court fund balance decreased by \$49,739 from a state mandate requiring a portion of citation revenues be used for court improvements. The funds were spent on enhancing court/police security. The Police Imprest fund increased \$2,729 from seized funds forfeited during the year. The fund balance decreased for Hotel/Motel Tax (\$13,095) a non-major fund used to promote tourism. Other non-major funds that increased for the 09-10 fiscal year were the Midlothian Restoration \$1,122, and the Police Training fund \$8,803. The Grant Fund decreased by \$25,535 which was expended for security and building improvements. The Midtowne PID fund was established this year with an increase in fund balance of \$1,551, and the Conference Center fund had an increase in fund balance of \$43,908 for 09-10.

Proprietary funds - The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted net assets of the Water and Sewer Fund are \$11,711,779. Factors affecting the performance of the fund include an increase in the cost of operations and a decrease in the number of new developments.

CITY OF MIDLOTHIAN, TEXAS

Management's Discussion and Analysis
 For The Year Ended September 30, 2010
 (Unaudited)

CAPITAL ASSETS

The City of Midlothian's investment in capital assets for its governmental and business-type activities as of September 30, 2010, amounts to \$189,756,062 (net of accumulated depreciation). This investment in capital assets include land, buildings, equipment, improvements, infrastructure and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was 4.2%, (a 3.1% increase for governmental activities and 5.7% increase in business-type activities.) The increase in the Governmental assets is primarily from the addition of improvements, and infrastructure (streets and Right-of-Way land).

Major capital asset events during the current fiscal year included the following:

- Completed construction of drainage improvements.
- Completed construction of Tower Road Widening project.
- Added an Emergency Operations Center at the Law Enforcement building.
- Constructed a directional sign for the Conference Center.

	Governmental Activities 2010	Governmental Activities 2009	Business type Activities 2010	Business type Activities 2009	Total 2010	Total 2009
Land	\$ 15,139,587	\$ 15,138,887	\$ 630,850	\$ 630,850	\$ 15,770,437	\$ 15,769,737
Buildings	16,443,163	10,231,232	11,556,642	11,556,642	27,999,805	21,787,874
Equipment	6,758,565	6,288,615	2,147,729	2,002,857	8,906,294	8,291,472
Improvements	17,211,135	17,037,882	-	-	17,211,135	17,037,882
Infrastructure	78,893,264	74,311,323	39,483,731	37,023,175	118,376,995	111,334,498
Water Rights	-	-	29,949,793	29,949,793	29,949,793	29,949,793
Wastewater Rights	-	-	18,051,922	18,051,922	18,051,922	18,051,922
Construction in Progress	1,643,630	3,610,384	8,656,836	4,212,404	10,300,466	7,822,788
Accumulated Depreciation	(36,860,868)	(30,407,155)	(19,949,917)	(17,813,093)	(56,810,785)	(48,220,248)
Total	\$ 99,228,476	\$ 96,211,168	\$ 90,527,586	\$ 85,614,550	\$ 189,756,062	\$ 181,825,718

Additional information on the City of Midlothian's capital assets can be found in Note 5 on pages 40-42 of this report.

DEBT ADMINISTRATION

At the end of the current fiscal year, the City of Midlothian had a total bonded debt, notes payable, and other long-term debt of \$116,178,738.

In May 2006, the voters approved a bond election for new street construction, a new 125+ acre multi-use community park, and renovation of fire station #1, for a total of \$31,090,000. This debt will be issued in increments on an annual basis with Council approval. The first phase of this bond package began with the issuance of \$8,550,000 in debt in July 2007. Due to the economic decline in residential construction, debt has not been issued since 2007 from this bond package. In 2010 the City issued \$5,750,000 of General Obligation Refunding Bonds for a current refunding of Combination Tax & Revenue Certificates of Obligation and General Obligation Bonds to reduce total future debt payments. In 2008 the Enterprise fund was approved for a grand total of \$25,010,000 in Waterworks and Sewer System bonds by the Texas Water Development Board to construct a second Water Treatment Plant. This debt is drawn incrementally during the construction phase; the draws during this fiscal year amounted to \$4,735,000.

CITY OF MIDLOTHIAN, TEXAS

Management's Discussion and Analysis
 For The Year Ended September 30, 2010
 (Unaudited)

At September 30, 2010, the City's long-term debt consisted of the following:

LONG-TERM DEBT	Governmental 2010	Governmental 2009	Business-type Activities 2010	Business-type Activities 2009	Total 2010	Total 2009
Tax Notes	\$ 345,000	\$ 450,000	\$ -	\$ -	\$ 345,000	\$ 450,000
General Obligation Bonds	39,906,865	40,940,080	27,448,050	29,724,839	67,354,915	70,664,919
Accreted Interest	-	-	3,749,420	3,279,915	3,749,420	3,279,915
Cert. Of Obligation	3,415,000	4,595,000	2,225,000	2,350,000	5,640,000	6,945,000
Revenue Bonds	-	-	38,635,000	40,325,000	38,635,000	40,325,000
Capital Lease Oblig.	263,496	212,630	31,194	60,823	294,690	273,453
Claims and judgements	949,855	-	-	-	949,855	-
Bond Discount/Premium	262,936	16,043	(299,881)	(336,796)	(36,945)	(320,753)
Deferred Refunding	(482,857)	(262,480)	(1,462,021)	(1,608,263)	(1,944,878)	(1,870,743)
Other post employment benefits	285,915	142,250	80,643	40,122	366,558	182,372
Compensated absences	717,666	661,704	107,457	119,173	825,123	780,877
Total	\$ 45,663,876	\$ 46,755,227	\$ 70,514,862	\$ 73,954,813	\$ 116,178,738	\$ 120,710,040

Additional information on the City of Midlothian long-term debt can be found in Note 6 on pages 43-49 of this report.

COMPONENT UNITS

Financial reports for the City's component units are located at the City of Midlothian, Finance Department 104 West Ave. E Midlothian, Texas 76065

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the 2010-11 fiscal year, General fund revenues and transfers in from other funds are budgeted to increase by 3.81% from the 2009-10 actual amounts, with property taxes making up about 37.1% of general fund budgeted revenues. Total ad valorem tax revenues are projected to decrease 4% over the preceding year. Sales tax revenue is forecasted to increase in fiscal year 2010-11 by 6% based on 09-10 trends. The City has budgeted for a 7% increase in electric franchise tax based on an increase in production by one of the city's principal employers, and a 62% budget increase in charges for building permits, however a 70% reduction in construction inspection fees are expected in FY 2010-11. The City Council has approved a waiver of various impact fees to attract developers and reduce housing construction costs. The economic decline and housing market slump began in January 2008, and due to the cut in interest rates by the Federal Open Market Committee, the city budgeted for a 67% decrease in interest earnings for 10-11. At the present time, the development services department reports growth for the 10-11 budget year, and the city expects improvement, however it is undetermined at this time how much growth can be anticipated. There are twenty-nine subdivisions with available lots for sale, however only fifteen subdivisions are actively building at this time. The voter approved bond referendum of May 2006 has been delayed, as the city does not anticipate issuing debt in 2011. The voters approved this referendum to build new streets and parks. The City Council authorized the use of (unreserved) fund balance in the amount of \$511,736 in 2010-11 for one time capital expenditures and legal expenses. In addition, the city continues to maintain a 180 day fund balance which is excess of the 90 day reserve as required in the Finance policy. Certified tax values for 2010-11 are \$2,028,299,309 less \$387,220,970 captured by the Tax Increment Reinvestment Zone. The net decrease in taxable value is approximately 4.6%. The tax rate for 2010-11 is \$0.65 per \$100 valuation, no change from the overall 09-10 tax rate. The City Of Midlothian has maintained the same overall tax rate for the past four budget years.

CITY OF MIDLOTHIAN, TEXAS

Management's Discussion and Analysis
For The Year Ended September 30, 2010
(Unaudited)

The Utility Services Fund is funded by water/wastewater fees and other utility services. The utility fund saw a small decrease in utility revenues for the 2010 fiscal year as compared to fiscal year 2009. This is attributed to the economy and little growth during 2010. In October 2004, as part of the City's long-term wastewater treatment planning, the City entered into an agreement with Trinity River Authority (TRA) to provide wastewater services at the Mountain Creek Regional Wastewater System. The water treatment plant is budgeted to account for 23% of the utility fund expenditures, wastewater 7%, and support services 58.8%. Debt was issued in 2008 for a second water treatment plant and construction began in 2009 with an anticipated completion date of 2012. The water operations department maintains and repairs over 100 miles of water main lines, however only accounts for 6.1% of the utility expenses. The 10-11 budget year expenditures have been adjusted to add the additional costs for water treatment plant 2, and a decrease in the budget for expenditures in the wastewater, water operations and meter departments, which the net effect is a three percent reduction. Revenues are budgeted conservatively to have a three percent decrease; however unpredicted weather patterns can contribute significantly to revenue fluctuations.

REQUEST FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors and creditors with general overview of the City's finances. If you have questions about this report or need any additional information, contact the Department of Finance, Attn: Finance Director, at 104 W. Ave E, Midlothian, Texas 76065 or call (972) 775-3481.

BASIC FINANCIAL STATEMENTS

GOVERNMENT – WIDE FINANCIAL STATEMENTS

CITY OF MIDLOTHIAN, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 10,560,810	\$ 5,360,341	\$ 15,921,151	\$ 38,793,607
Investments	6,108,080	4,265,354	10,373,434	1,075,591
Receivables				
Taxes, net of allowance	157,835	-	157,835	-
Accounts, net of allowance	1,386,149	1,542,347	2,928,496	1,150,000
Direct financing lease	4,175,000	-	4,175,000	-
Other	9,004	71,439	80,443	-
Due from other governments	442,733	1,068	443,801	377,439
Internal balances	3,821	(3,821)	-	-
Commitment receivable	500,000	-	500,000	-
Due from component units	6,712	-	6,712	-
Prepaid items	44,246	-	44,246	-
Restricted assets				
Cash and cash equivalents	-	5,130,826	5,130,826	4,957,100
Investments	-	4,411,702	4,411,702	402,250
Bond proceeds receivable	-	18,535,000	18,535,000	-
Deferred charges	455,270	1,839,572	2,294,842	2,206,637
Investment in joint venture	4,652,852	-	4,652,852	-
Capital assets:				
Land	15,139,587	630,850	15,770,437	-
Buildings	16,443,163	11,556,642	27,999,805	7,540
Improvements other than buildings	17,211,135	-	17,211,135	-
Machinery and equipment	6,758,565	2,147,729	8,906,294	14,590
Infrastructure	78,893,264	39,483,731	118,376,995	7,693,429
Water and wastewater rights	-	48,001,715	48,001,715	-
Construction in progress	1,643,630	8,656,836	10,300,466	3,209,273
Accumulated depreciation	(36,860,868)	(19,949,917)	(56,810,785)	(1,801,237)
TOTAL ASSETS	127,730,988	131,681,414	259,412,402	58,086,219
LIABILITIES				
Accounts payable and accrued liabilities	940,429	1,195,989	2,136,418	59,336
Accrued interest payable	231,297	233,920	465,217	1,109,173
Due to other governments	372,435	3,374	375,809	6,712
Customer deposits	-	439,841	439,841	-
Unearned revenue	164,854	-	164,854	-
Noncurrent liabilities:				
Debt due within one year	3,521,560	4,127,927	7,649,487	2,137,646
Debt due in more than one year	42,142,316	66,386,935	108,529,251	54,088,302
Total liabilities	47,372,891	72,387,986	119,760,877	57,401,169
NET ASSETS				
Invested in capital assets, net of related debt	60,076,738	42,485,244	102,561,982	(32,192,481)
Restricted for:				
Debt service	7,205,824	2,364,683	9,570,507	5,359,350
Capital improvements	-	2,731,722	2,731,722	-
Unrestricted	13,075,535	11,711,779	24,787,314	27,518,181
Total net assets	\$ 80,358,097	\$ 59,293,428	\$ 139,651,525	\$ 685,050

**CITY OF MIDLOTHIAN, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2010**

Program Activities	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 7,543,122	\$ 1,257,946	\$ 88,367	\$ 125,000
Public safety	8,279,339	922,514	1,029,115	-
Public works	8,174,318	235,720	-	4,424,205
Culture and recreation	832,755	104,083	-	-
Interest on long term debt	2,146,258	-	-	-
Total governmental activities	<u>26,975,792</u>	<u>2,520,263</u>	<u>1,117,482</u>	<u>4,549,205</u>
Business-type activities				
Water and sewer	<u>8,832,538</u>	<u>8,969,864</u>	<u>-</u>	<u>1,781,928</u>
Total business-type activities	<u>8,832,538</u>	<u>8,969,864</u>	<u>-</u>	<u>1,781,928</u>
Total government	<u>\$ 35,808,330</u>	<u>\$ 11,490,127</u>	<u>\$ 1,117,482</u>	<u>\$ 6,331,133</u>
Component units:				
Corporation for Economic Development	\$ 764,068	\$ -	\$ -	\$ -
Midlothian Community Development Corporation	458,619	-	-	-
Midlothian Development Authority	<u>9,774,560</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total component units	<u>\$ 10,997,247</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:

Taxes:

 Ad valorem

 Sales

 Franchise taxes

 Other taxes

 Penalties and interest

Investment income

Miscellaneous revenues

Transfers

Total general revenues and transfers

Change in net assets

Net Assets - beginning of year, as previously presented

Prior period adjustment

Net Assets - beginning of year, restated

Net Assets - end of year

**Net (Expenses) Revenues and
Changes in Net Assets**

Governmental Activities	Business- type Activities	Total	Component Units
\$ (6,071,809)	\$ -	\$ (6,071,809)	\$ -
(6,327,710)	-	(6,327,710)	-
(3,514,393)	-	(3,514,393)	-
(728,672)	-	(728,672)	-
(2,146,258)	-	(2,146,258)	-
(18,788,842)	-	(18,788,842)	-
\$ -	1,919,254	1,919,254	-
-	1,919,254	1,919,254	-
<u>\$ (18,788,842)</u>	<u>\$ 1,919,254</u>	<u>\$ (16,869,588)</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (764,068)
-	-	-	(458,619)
-	-	-	(9,774,560)
-	-	-	(10,997,247)
\$ 14,427,645	\$ -	\$ 14,427,645	\$ 8,795,162
1,801,035	-	1,801,035	1,801,034
2,362,513	-	2,362,513	-
20,645	-	20,645	-
138,459	-	138,459	-
78,442	100,228	178,670	56,179
663,165	-	663,165	249,578
(1,253,602)	1,253,602	-	-
18,238,302	1,353,830	19,592,132	10,901,953
(550,540)	3,273,084	2,722,544	(95,294)
75,745,415	56,020,344	131,765,759	5,943,566
5,163,222	-	5,163,222	(5,163,222)
80,908,637	56,020,344	136,928,981	780,344
<u>\$ 80,358,097</u>	<u>\$ 59,293,428</u>	<u>\$ 139,651,525</u>	<u>\$ 685,050</u>

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

**CITY OF MIDLOTHIAN, TEXAS
BALANCE SHEET -
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Non Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 4,194,035	\$ 670,207	\$ 5,240,432	\$ 456,136	\$ 10,560,810
Investments	4,105,322	2,002,758	-	-	6,108,080
Receivables					
Taxes, net	65,222	92,613	-	-	157,835
Accounts	1,386,149	-	-	-	1,386,149
Direct financing lease	-	4,175,000	-	-	4,175,000
Other	2,451	-	-	6,553	9,004
Due from other governments	441,889	-	-	844	442,733
Due from other funds	399,974	-	-	7,804	407,778
Due from component units	6,712	-	-	-	6,712
Commitment receivable	-	500,000	-	-	500,000
Prepays	44,246	-	-	-	44,246
TOTAL ASSETS	\$ 10,646,000	\$ 7,440,578	\$ 5,240,432	\$ 471,337	\$ 23,798,347
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 330,283	\$ -	\$ 79,216	\$ 164,830	574,329
Accrued liabilities	317,960	3,457	44,683	-	366,100
Due to other governments	372,435	-	-	-	372,435
Due to other funds	-	-	392,976	10,981	403,957
Due to component units	-	-	-	-	-
Deferred revenue	896,793	4,752,842	164,854	65	5,814,554
Total liabilities	1,917,471	4,756,299	681,729	175,876	7,531,375
Fund balances					
Reserved for debt service	-	2,684,279	-	-	2,684,279
Reserved for police department	-	-	-	7,154	7,154
Reserved for restoration	-	-	-	3,773	3,773
Reserved for city promotion	-	-	-	90,442	90,442
Reserved for city beautification	-	-	-	61,705	61,705
Reserved for public improvement district	-	-	-	1,551	1,551
Reserved for police training academy	-	-	-	9,486	9,486
Reserved for municipal court	-	-	-	102,654	102,654
Reserved for conference center	-	-	-	43,908	43,908
Reserved for prepaids	44,246	-	-	-	44,246
Unreserved reported in:					
General fund	8,684,283	-	-	-	8,684,283
Capital project funds	-	-	4,558,703	-	4,558,703
Other non major governmental funds	-	-	-	(25,212)	(25,212)
Total fund balances	8,728,529	2,684,279	4,558,703	295,461	16,266,972
TOTAL LIABILITIES AND FUND BALANCES	\$ 10,646,000	\$ 7,440,578	\$ 5,240,432	\$ 471,337	\$ 23,798,347

**CITY OF MIDLOTHIAN, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010**

Total fund balances - governmental funds	\$ 16,266,972
Amounts reported for governmental activities in the statement of net assets are different because:	
Investment in joint venture is not a current financial resource and, therefore, is not reported in the governmental funds balance sheet.	4,652,852
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	99,228,476
Costs associated with the issuance of governmental long term debt are expensed when incurred in the fund statements and capitalized and amortized over the life of the debt in the government-wide financial statements.	455,270
Interest payable on long term debt does not require current financial resources, and, therefore, is not reported as a liability in the governmental funds balance sheet.	(231,297)
Revenues earned but not available within sixty days of the fiscal year-end are not recognized as revenue in the fund financial statements.	5,649,700
Compensated absences are not due and payable in the current period and therefore are not reported in the fund financial statements.	(717,666)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the fund financial statements.	<u>(44,946,210)</u>
Net assets of governmental activities	<u><u>\$ 80,358,097</u></u>

CITY OF MIDLOTHIAN, TEXAS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2010

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Non Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Taxes	\$ 10,073,172	\$ 7,862,862	\$ -	\$ 15,894	\$ 17,951,928
Licenses and permits	286,907	-	-	-	286,907
Intergovernmental	2,601,947	50,000	1,397,341	120,393	4,169,681
Charges for services	749,287	-	-	177,774	927,061
Fines	484,477	-	-	-	484,477
Investment income	48,940	19,383	9,363	756	78,442
Contributions and donations	-	-	-	213,367	213,367
Receipts from direct financing lease	-	125,000	-	-	125,000
Miscellaneous revenues	192,379	283,654	-	49,011	525,044
Total revenues	14,437,109	8,340,899	1,406,704	577,195	24,761,907
Expenditures:					
Current:					
General government	3,741,703	-	-	748,240	4,489,943
Public safety	7,791,388	-	-	-	7,791,388
Public works	1,785,574	-	-	-	1,785,574
Culture and recreation	687,663	-	-	-	687,663
Intergovernmental:					
Payment to TIRZ	1,226,223	1,152,975	-	-	2,379,198
Capital outlay	-	-	1,462,712	-	1,462,712
Debt Service:					
Principal retirement	-	2,411,915	-	-	2,411,915
Interest charges	-	2,104,360	-	-	2,104,360
Fiscal agent's fees and debt issuance costs	-	110,367	-	-	110,367
Total expenditures	15,232,551	5,779,617	1,462,712	748,240	23,223,120
Excess (deficiency) of revenues over expenditures	(795,442)	2,561,282	(56,008)	(171,045)	1,538,787
Other financing sources (uses):					
Capital lease	140,070	-	-	-	140,070
Transfers in	875,173	-	615,263	96,031	1,586,467
Transfers out	(96,031)	(2,744,038)	-	-	(2,840,069)
Issuance of debt	-	5,387,729	-	-	5,387,729
Refunded Bond Escrow	-	(5,540,415)	-	-	(5,540,415)
Bond Premium	-	285,835	-	-	285,835
Bond Discount	-	(36,981)	-	-	(36,981)
Total other financing sources (uses)	919,212	(2,647,870)	615,263	96,031	(1,017,364)
Net change in fund balances	123,770	(86,588)	559,255	(75,014)	521,423
Fund Balances - beginning of year	8,604,759	2,770,867	3,999,448	370,475	15,745,549
Fund Balances - end of year	\$ 8,728,529	\$ 2,684,279	\$ 4,558,703	\$ 295,461	\$ 16,266,972

CITY OF MIDLOTHIAN, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2010

Net change in fund balances - total governmental funds	\$ 521,423
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of (net) capital assets recorded in the current period.	169,201
The net effect of various miscellaneous transactions involving capital assets (ie. sales, disposals, and donations) is to decrease net assets	(1,397,341)
Governmental funds do not recognize assets contributed by developers. However, in the statement of activities the fair market value of those assets are recognized as revenue, then allocated over their estimated useful lives and reported as depreciation expense.	4,424,203
Investment in joint venture reported in the statement of net assets does not require the use of current financial resources; therefore, the current year net change in the investments is not reported in the governmental funds.	194,109
Depreciation expense on capital assets is reported in the statement of activities, and does not require the use of current financial resources; therefore, depreciation expense is not reported as expenditures in the governmental funds.	(5,341,979)
The issuance of long term debt (e.g. bonds) provides current financial resources The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, however does not have any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount (proceeds from capital leases of \$140,070, less bond and lease principal payments of \$2,501,119 plus net amortization of premiums and discounts on bond issuances and the deferred loss on refunding issues of \$24,048 plus the amortization of the deferred charges on debt issues of \$30,939, plus bond proceeds and bond premiums from a refunding issue of \$5,387,729 and \$285,835 respectively, less refunded bond escrow, bond discounts, and bond issuance costs on the refunding issue of \$5,540,415, \$36,981, and \$91,450 respectively) the net effect of these differences in the treatment of long-term debt and related items.	2,301,344
Current year changes in the long term liability for other post employment benefits do not require the use of current financial resources; therefore, are not reported as expenditures in the governmental funds.	(143,665)
Current year changes in the long term liability for compensated absences do not require the use of current financial resources; therefore, are not reported as expenditures in the governmental funds.	(55,962)
Current year changes in accrued interest payable do not require the use of current financial resources; therefore, they are not reported as expenditures in the governmental funds.	32,006
Current year changes in the long term liability for claims and judgements do not require the use of current financial resources; therefore, are not reported as expenditures in the governmental funds.	(949,855)
Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds.	(304,024)
Change in net assets of governmental activities	<u>\$ (550,540)</u>

PROPRIETARY FUNDS FINANCIAL STATEMENTS

**CITY OF MIDLOTHIAN, TEXAS
STATEMENT OF FUND NET ASSETS -
PROPRIETARY FUND
SEPTEMBER 30, 2010**

ASSETS	<u>Water and Sewer Fund</u>
Current assets:	
Cash and cash equivalents	\$ 5,360,341
Investments	4,265,354
Receivables	
Accounts receivable, net	1,542,347
Other receivables	71,439
Due from other governments	1,068
Restricted assets	
Cash and cash equivalents	5,130,826
Investments	<u>4,411,702</u>
Total current assets	<u>20,783,077</u>
Noncurrent assets:	
Capital assets, at cost	
Land and land improvements	630,850
Buildings and improvements	11,556,642
Waterworks and sewer system	39,483,731
Machinery and equipment	2,147,729
Water and wastewater rights	48,001,715
Construction in progress	8,656,836
Accumulated depreciation	<u>(19,949,917)</u>
Total capital assets, net of accumulated depreciation	90,527,586
Bond proceeds receivable	18,535,000
Deferred charges	<u>1,839,572</u>
Total noncurrent assets	<u>110,902,158</u>
TOTAL ASSETS	<u><u>131,685,235</u></u>

CITY OF MIDLOTHIAN, TEXAS
STATEMENT OF FUND NET ASSETS -
PROPRIETARY FUND
SEPTEMBER 30, 2010
(continued)

LIABILITIES	<u>Water and Sewer Fund</u>
Current liabilities:	
Accounts payable and accrued liabilities	1,195,989
Accrued interest payable	233,920
Due to other funds	3,821
Due to other governments	3,374
Customer deposits	439,841
Debt due within one year	<u>4,127,927</u>
Total current liabilities	<u>6,004,872</u>
Noncurrent liabilities:	
Debt due in more than one year	<u>66,386,935</u>
Total noncurrent liabilities	<u>66,386,935</u>
Total liabilities	<u>72,391,807</u>
NET ASSETS	
Invested in capital assets, net of related debt	42,485,244
Restricted for:	
Debt service	2,364,683
Capital improvements	2,731,722
Unrestricted	<u>11,711,779</u>
Total net assets	<u><u>\$ 59,293,428</u></u>

**CITY OF MIDLOTHIAN, TEXAS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2010**

	Water and Sewer Fund
Operating revenues:	
Water sales	\$ 5,907,742
Sewer sales	2,678,571
Tap fees, penalties and other	383,551
Total operating revenue	8,969,864
Operating expenses:	
Cost of sales and services	3,701,557
Administrative	580,604
Depreciation	2,055,749
Total operating expenses	6,337,910
Operating income	2,631,954
Nonoperating revenues (expenses):	
Impact fees	229,620
Investment income	100,228
Interest expense and agent fees	(2,494,628)
Total nonoperating revenues (expenses)	(2,164,780)
Income before contributions and transfers	467,174
Capital contributions	1,552,308
Transfers in	2,744,038
Transfers out	(1,490,436)
Change in net assets	3,273,084
Net assets, beginning of year	56,020,344
Net assets, end of year	\$ 59,293,428

**CITY OF MIDLOTHIAN, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2010**

	<u>Water and Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 8,893,221
Cash paid to employees	(1,114,213)
Cash paid to suppliers	<u>(4,108,055)</u>
Net cash provided by operating activities	<u>3,670,953</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Payments under interfund loan agreements	190,094
Transfers to other funds, net	<u>1,253,602</u>
Net cash provided by noncapital financing activities	<u>1,443,696</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Impact fees	229,620
Proceeds on debt	4,735,000
Principal paid on debt	(4,127,718)
Capital expenditures	(5,416,476)
Interest and fees paid on debt	<u>(1,955,870)</u>
Net cash (used in) capital and related financing activities	<u>(6,535,444)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of investments (net)	(3,651,009)
Interest on investments	<u>100,228</u>
Net cash (used in) investing activities	<u>(3,550,781)</u>
Net change in cash	(4,971,576)
Cash and cash equivalents, beginning of year	<u>15,462,743</u>
Cash and cash equivalents, end of year	<u>\$ 10,491,167</u>

CITY OF MIDLOTHIAN, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2010
(continued)

	<u>Water and Sewer Fund</u>		<u>Statement of Cash Flows Totals</u>
	<u>Current Assets</u>	<u>Restricted Assets</u>	
RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET ASSETS:			
Cash and cash equivalents - beginning	\$ 8,301,089	\$ 7,161,654	\$ 15,462,743
Net change	<u>(2,940,748)</u>	<u>(2,030,828)</u>	<u>(4,971,576)</u>
Cash and cash equivalents - ending	<u>\$ 5,360,341</u>	<u>\$ 5,130,826</u>	<u>\$ 10,491,167</u>

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

	<u>Water and Sewer Fund</u>
Operating income	\$ 2,631,954
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	2,055,749
Increase in accounts receivable	(76,643)
Decrease in accounts payable and accrued expenses	(997,008)
Increase in customer deposits	16,380
Increase in OPEB liability	<u>40,521</u>
Net cash provided by operating activities	<u>\$ 3,670,953</u>

SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

Assets totaling \$1,552,308 were contributed to the Water and Sewer Fund.

The noncash impact of the current year debt refunding was as follows:

Deferred charges	\$ 6,467
Premium, discount, and deferred loss	(167)
Principal on long-term debt	(6,300)

DISCRETELY PRESENTED COMPONENT UNITS

CITY OF MIDLOTHIAN, TEXAS
COMBINING STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS
SEPTEMBER 30, 2010

ASSETS	Corporation for Economic Development	Community Development Corporation	Midlothian Development Authority	Totals September 30, 2010
Cash and cash equivalents	\$ 2,746,204	\$ 1,020,535	\$ 35,026,868	\$ 38,793,607
Investments	737,337	338,254	-	1,075,591
Receivables (net of allowances for uncollectibles):				
Accounts receivable	1,150,000	-	-	1,150,000
Due from other governments	173,164	173,163	31,112	377,439
Restricted assets:				
Cash and cash equivalents	-	-	4,957,100	4,957,100
Investments	-	402,250	-	402,250
Deferred charges	-	-	2,206,637	2,206,637
Capital assets:				
Buildings and improvements	7,540	-	-	7,540
Machinery and equipment	14,590	-	-	14,590
Infrastructure	-	-	7,693,429	7,693,429
Construction in progress	-	3,305	3,205,968	3,209,273
Accumulated depreciation	(22,130)	-	(1,779,107)	(1,801,237)
Total assets	4,806,705	1,937,507	51,342,007	58,086,219
LIABILITIES				
Accounts payable and accrued liabilities	31,735	468	27,133	59,336
Accrued interest payable	-	14,544	1,094,629	1,109,173
Due to primary government	947	1,080	4,685	6,712
Noncurrent liabilities:				
Debt due within one year	-	255,000	1,882,646	2,137,646
Debt due in more than one year	-	3,945,000	50,143,302	54,088,302
Total liabilities	32,682	4,216,092	53,152,395	57,401,169
NET ASSETS				
Invested in capital assets, net of related debt	-	(4,196,695)	(27,995,786)	(32,192,481)
Restricted for debt service	-	402,250	4,957,100	5,359,350
Unrestricted	4,774,023	1,515,860	21,228,298	27,518,181
Total net assets	\$ 4,774,023	\$ (2,278,585)	\$ (1,810,388)	\$ 685,050

**CITY OF MIDLOTHIAN, TEXAS
 COMBINING STATEMENT OF ACTIVITIES
 DISCRETELY PRESENTED COMPONENT UNITS
 YEAR ENDED SEPTEMBER 30, 2010**

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Corporation for Economic Development				
General government	\$ 346,380	\$ -	\$ -	\$ -
Economic development	417,688	-	-	-
Total Corporation for Economic Development	<u>764,068</u>	<u>-</u>	<u>-</u>	<u>-</u>
Midlothian Community Development Corporation				
General government	274,269	-	-	-
Interest on long term debt	184,350	-	-	-
Total Midlothian Community Development Corporation	<u>458,619</u>	<u>-</u>	<u>-</u>	<u>-</u>
Midlothian Development Authority				
General government	6,565,657	-	-	-
Interest on long term debt	3,208,903	-	-	-
Total Midlothian Development Authority	<u>9,774,560</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total component units	<u>\$ 10,997,247</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:

Taxes
 Sales taxes
 Investment income
 Miscellaneous income
 Total general revenues

Change in net assets

Net Assets - beginning of year, as previously presented

Prior period adjustment

Net Assets - beginning of year, restated

Net Assets - end of year

Net (Expenses) Revenues and Change in Net Assets			
Corporation for Economic Development	Midlothian Community Development Corporation	Midlothian Development Authority	Total
\$ (346,380)	\$ -	\$ -	\$ (346,380)
(417,688)	-	-	(417,688)
(764,068)	-	-	(764,068)
-	(274,269)	-	(274,269)
-	(184,350)	-	(184,350)
-	(458,619)	-	(458,619)
-	-	(6,565,657)	(6,565,657)
-	-	(3,208,903)	(3,208,903)
-	-	(9,774,560)	(9,774,560)
<u>\$ (764,068)</u>	<u>\$ (458,619)</u>	<u>\$ (9,774,560)</u>	<u>\$ (10,997,247)</u>
\$ -	\$ -	\$ 8,795,162	\$ 8,795,162
900,517	900,517	-	1,801,034
12,293	18,336	25,550	56,179
215,452	-	34,126	249,578
<u>1,128,262</u>	<u>918,853</u>	<u>8,854,838</u>	<u>10,901,953</u>
364,194	460,234	(919,722)	(95,294)
4,409,829	2,424,403	(890,666)	5,943,566
-	(5,163,222)	-	(5,163,222)
<u>4,409,829</u>	<u>(2,738,819)</u>	<u>(890,666)</u>	<u>780,344</u>
<u>\$ 4,774,023</u>	<u>\$ (2,278,585)</u>	<u>\$ (1,810,388)</u>	<u>\$ 685,050</u>

NOTES TO FINANCIAL STATEMENTS

CITY OF MIDLOTHIAN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The City of Midlothian (the "City") is a "home rule city" incorporated in 1888. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, water and sewer, public improvements, planning and zoning, and general administrative services.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). As allowed by *Governmental Accounting and Financial Reporting Standards*, the City has elected not to apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The more significant accounting policies of the City are described below.

B. Financial Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements include the primary government and organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the concept of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship

CITY OF MIDLOTHIAN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Financial Reporting Entity – Continued

exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Some organizations are included as component units because of their fiscal dependency on the primary government. An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval by the primary government. Complete financial statements for the individual component units may be obtained at the City's office.

The following entities were found to be component units of the City and are included in the combined financial statements:

Discretely Presented Component Units

The Corporation for Economic Development of the City of Midlothian (CEDM) serves all citizens of the City and is governed by a board appointed by the City's elected council. The City can impose its will on the CEDM and affect the day-to-day operations of the CEDM by removing appointed board members at will. The scope of public service of the CEDM benefits the City and its citizens and is operated primarily within the geographic boundaries of the City. The CEDM is presented as a governmental fund type.

The Midlothian Community Development Corporation (MCDC) serves all citizens of the City and is governed by a board appointed by the City's elected council. The City can impose its will on the MCDC and affect the day-to-day operations of the MCDC by removing appointed board members at will. The scope of public service of the MCDC benefits the City and its citizens and is operated primarily within the geographic boundaries of the City. The MCDC is presented as a governmental fund type.

The Midlothian Development Authority (MDA) serves all citizens of the City and is governed by a nine member board, five of which are appointed by the City's elected council. The City can impose its will on the MDA and affect the day-to-day operations of the MDA by removing appointed board members at will. The scope of public service of the MDA benefits the City and its citizens and is operated primarily within the geographic boundaries of the City and Tax Increment Reinvestment Zone No. 2. The MDA is presented as a governmental fund type.

**CITY OF MIDLOTHIAN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Financial Reporting Entity – Continued

Discretely Presented Component Units – Continued

Complete financial statements for the individual component units may be obtained at the entity's administration offices – 104 W. Avenue E Midlothian, Texas 76065.

C. Government Wide and Fund Financial Statements

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the activities of the City, except for fiduciary funds. 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 program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental Funds

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental funds:

**CITY OF MIDLOTHIAN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. Government Wide and Fund Financial Statements – Continued

General Fund

The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt paid primarily from taxes levied by the City. The fund balance of the Debt Service Fund is reserved to signify the amounts that are restricted exclusively for debt service expenditures.

Capital Projects Funds

The Capital Projects Funds are used to account for funds received and expended for the construction and renovation of thoroughfares, arterial streets and drainage improvements in the City and construction, renovation, expansion and major improvement of various City facilities, acquisition of land and other large nonrecurring projects.

In addition, the City presents the following non-major governmental funds:

Police Imprest Fund

The Police Imprest Fund is used to account for funds accumulated through police seizures.

Midlothian Restoration Fund

The Midlothian Restoration Fund is used to account for monies collected from the sale of memorial bricks and donations from citizens.

Hotel / Motel Tax Fund

The Hotel / Motel Tax Fund was established to account for local hotel and motel occupancy tax receipts.

**CITY OF MIDLOTHIAN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. Government Wide and Fund Financial Statements – Continued

City Beautification Fund

The City Beautification Fund was established to account for monies collected from the leasing of kiosks to be used for the beautification of the City of Midlothian.

MidTowne PID

This fund was established to account for revenues and expenditures associated with the MidTowne Public Improvement District (PID). The MidTowne PID was established as part of the MidTowne Planned Development District (PD-42) to fund improvements and/or services undertaken by the district for the benefit of property owners within the district.

Police Training Academy Fund

The Police Training Academy Fund was established to account for funds accumulated for in-service training provided by the City of Midlothian Police Department for City police officers as well as for those of neighboring cities.

Municipal Court Fund

The Municipal Court Fund was established to account for the accumulation of funds to be used for court building security, court technology, judicial efficiency and child safety programs.

Conference Center Fund

The Conference Center Fund was established to account for the funds needed to operate the Midlothian Conference Center. The Conference Center provides a facility for hosting conferences for both public and private events.

Grant Fund

The Grant Fund was established to account for various grants with which the City of Midlothian participates.

Proprietary Fund

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Assets. The City has presented the following major proprietary fund:

CITY OF MIDLOTHIAN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. Government Wide and Fund Financial Statements – Continued

Water and Sewer Fund

The Water and Sewer Fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of long-term debt principal and interest for water and sewer debt. The majority of costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personnel and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers receivables collected within sixty days after year-end to be available and recognizes them as revenues of the current year. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

**CITY OF MIDLOTHIAN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Measurement Focus and Basis of Accounting

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

When both restricted and unrestricted resources are available for use, it is the City's policy to use the restricted resources first, and then the unrestricted as they are needed.

E. Cash and Investments

The City's cash and cash equivalents includes cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Because the City, at its option, can withdraw funds within a twenty-four hour period from TexPool and TexSTAR, investments in TexPool and TexSTAR are considered to be cash equivalents.

State statutes authorize the City to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligation of the State of Texas or its agencies; (3) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States; (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (5) certificates of deposit by state and national banks domiciled in this state that are (A) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (B) secured by obligations that are described by (1) – (4); or, (6) fully collateralized direct repurchase agreements having a defined termination date, secured by obligations described by (1), pledged with third party selected or approved by the City, and placed through a primary government securities dealer. The City's investments are governed by the same state statutes. Investments are stated at fair value.

All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

F. Inventory and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased. Prepaid items represent costs such as postage deferred to subsequent periods.

CITY OF MIDLOTHIAN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

G. Interfund Receivables and Payables

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on general capital assets.

Assets capitalized have an original cost of \$5,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	10-40 Years
Improvements other than buildings	10-40 Years
Water and Sewer System	40 Years
Infrastructure	7-20 Years
Machinery and Equipment	3-20 Years
Wastewater rights	40 Years

I. Accumulated Vacation, Compensated Time and Sick Leave

All full-time employees are granted vacation and other leave time benefits, and compensatory time for overtime worked by non-exempt (hourly) employees in varying amounts. In the event of termination, an employee is entitled to receive accumulated vacation and compensatory pay. Accumulated vacation pay for all full-time employees and compensatory pay for all non-exempt employees are recorded in the government-wide statements for governmental funds and at the fund level for proprietary funds. Vested or accumulated vacation leave are recorded as an expense and liability of those funds as the benefits accrue to employees.

J. 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 parties for use for a specific purpose.

**CITY OF MIDLOTHIAN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the city or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

L. Joint Venture

The Midlothian/Waxahachie Airport Joint Venture was created by an agreement in 1989. Under the agreement, both cities equally/share ownership, rights and obligations. The City recognizes its joint venture equity in the government wide financial statements. Summary financial information of the joint venture is included elsewhere in the notes to the basic financial statements. Separate financial statements for the joint venture are available at the administrative offices of the City of Waxahachie, Texas.

NOTE 2. CASH AND INVESTMENTS

The funds of the City 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 City's agent bank in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At September 30, 2010 the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$20,285,819 and the bank balance was \$19,958,042. The City's cash deposits at September 30, 2010 and during the year ended September 30, 2010 were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

Legal and contractual provisions governing deposits and investments:

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 City 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, (9) and bid

**CITY OF MIDLOTHIAN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 2. CASH AND INVESTMENTS – CONTINUED

solicitation preferences for certificates of deposit. Statutes and the City's investment policy authorized the City to invest in the following investments as summarized in the table below:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
U.S. Treasury Obligations	3 years	80%	None
U.S. Agencies and Instrumentalities	3 years	75%	None
Certificates of Deposits	1 year	40%	None
Repurchase Agreements	90 days	10%	None
Money Market Funds	None	20%	None
Local Government Investment Pools	2 years	100%	None

The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

Cash and investments as of September 30, 2010 are classified in the accompanying financial statements as follows:

Statement of net assets:

Primary Government:

Cash and cash equivalents	\$ 15,921,151
Investments	10,373,434
Restricted cash and cash equivalents	5,130,826
Restricted investments	<u>4,411,702</u>
 Total primary government	 <u><u>\$ 35,837,113</u></u>

Component Units:

Cash and cash equivalents	\$ 38,793,607
Investments	1,075,591
Restricted cash and cash equivalents	4,957,100
Restricted investments	<u>402,250</u>
 Total component units	 <u><u>\$ 45,228,548</u></u>

**CITY OF MIDLOTHIAN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 2. CASH AND INVESTMENTS – CONTINUED

Cash and investments as of September 30, 2010 consist of the following:

Primary Government:	
Deposits with financial institutions	\$ 6,500,853
Texpool	14,342,702
Texstar	208,423
Investments	1,000,169
Certificates of Deposit	<u>13,784,966</u>
 Total cash and investments	 <u><u>\$ 35,837,113</u></u>

Disclosures relating to interest rate risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by investing mainly in investment pools which purchase a combination of shorter term investments with an average maturity of less than 60 days thus reducing the interest rate risk. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City has no specific limitations with respect to this metric.

As of September 30, 2010, the City had the following investments:

<u>Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity</u>
Texpool	\$ 14,342,702	34 days
TexSTAR	208,423	46 days
Certificates of deposit	13,784,966	226 days
Agency Notes	<u>1,000,169</u>	601 days
 Total	 <u><u>\$ 29,336,260</u></u>	

As of September 30, 2010 the City did not invest in any securities which are highly sensitive to interest rate fluctuations.

**CITY OF MIDLOTHIAN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 2. CASH AND INVESTMENTS – CONTINUED

Disclosures relating to credit risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the Public Funds Investment Act, the City's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>
Texpool	\$ 14,342,702	N/A	AAAm
TexSTAR	208,423	N/A	AAAm
Certificates of deposit	13,784,966	N/A	Not rated
Government Agency Note	1,000,169	N/A	AAA
Total	<u>\$ 29,336,260</u>		

Concentration of credit risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer. As of September 30, 2010, the certificates of deposit exceed 5% of total investments and are held by more than one issuer. Each issuer holds amounts exceeding 5% of total investments. In addition, the funds at external investment pools also represent over 5% of investments held by one issuer.

Custodial credit risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The Public Funds Investment Act and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits. The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

CITY OF MIDLOTHIAN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2. CASH AND INVESTMENTS – CONTINUED

Custodial credit risk – Continued

As of September 30, 2010 the City deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

Investment in State Investment Pools

The City is a voluntary participant in TexPool and TexSTAR. Both are public funds investment pools operating in full compliance with the Public Funds Investment Act, to include oversight by an established advisory board composed of both participants and other persons who do not have a business relationship with the pools. Both the pools operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The pools use amortized costs rather than fair value to report net assets to compute share prices. Accordingly, the fair value of the position in the pools is the same as the value of the shares.

NOTE 3. RESTRICTED ASSETS

Restricted assets in the Water and Sewer Fund are held for the following purposes in accordance with bond ordinances or other legal restrictions:

Debt Service - Interest and Sinking Fund	\$ 5,051,780
Construction	4,050,907
Refundable water and sewer deposits	<u>439,841</u>
Total	<u><u>\$ 9,542,528</u></u>

**CITY OF MIDLOTHIAN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 4. DIRECT FINANCING LEASE RECEIVABLE

During 2004, the City entered into a 25-year lease purchase agreement with Navarro College (the College) whereby the City issued \$4,750,000 of combination tax and revenue bonds (Series 2005) in order to construct and equip a building within the City limits to be leased to the College. Under the terms of the agreement, the College agrees to make semi-annual lease payments to the City in the amount of the scheduled debt service payments of Series 2005; the City, in turn, pays the bondholder(s). Upon final payment by the College to the City of the entire indebtedness of the \$4,750,000, plus accrued interest, on a timely schedule, title to the building will be transferred to the College.

During fiscal year 2006, the building was completed and occupied by the College.

Accordingly, the City has recorded a receivable and deferred revenue in the Debt Service Fund for the remaining balance owed by the College under the agreement.

The annual amounts due from the College are as follows as of September 30, 2010:

Year Ending September 30,	Principal	Interest	Total
2011	\$ 135,000	\$ 185,125	\$ 320,125
2012	140,000	178,375	318,375
2013	150,000	171,375	321,375
2014	155,000	163,875	318,875
2015	165,000	156,125	321,125
2016-2020	950,000	671,210	1,621,210
2021-2025	1,240,000	449,800	1,689,800
2026-2029	1,240,000	145,625	1,385,625
	<u>\$ 4,175,000</u>	<u>\$ 2,121,510</u>	<u>\$ 6,296,510</u>

CITY OF MIDLOTHIAN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended September 30, 2010, was as follows:

	Beginning Balance (as restated)	Increases	Decreases	Transfers	Ending Balance
Governmental Activities					
Capital assets not being depreciated					
Land	\$ 15,139,587	\$ -	\$ -	\$ -	15,139,587
Construction in progress	3,620,384	1,221,437	(2,971,115)	(227,076)	1,643,630
	<u>18,759,971</u>	<u>1,221,437</u>	<u>(2,971,115)</u>	<u>(227,076)</u>	<u>16,783,217</u>
Capital assets being depreciated					
Buildings	16,443,163	-	-	-	16,443,163
Improvements other than buildings	17,059,397	25,001	-	126,737	17,211,135
Infrastructure	74,311,323	4,489,832	-	92,109	78,893,264
Machinery and equipment	6,437,959	430,912	(118,536)	8,230	6,758,565
	<u>114,251,842</u>	<u>4,945,745</u>	<u>(118,536)</u>	<u>227,076</u>	<u>119,306,127</u>
Accumulated depreciation					
Buildings	(2,311,077)	(415,436)	-	-	(2,726,513)
Improvements other than buildings	(4,278,628)	(874,173)	-	-	(5,152,801)
Infrastructure	(21,683,809)	(3,530,799)	-	-	(25,214,608)
Machinery and equipment	(3,363,911)	(521,571)	118,536	-	(3,766,946)
	<u>(31,637,425)</u>	<u>(5,341,979)</u>	<u>118,536</u>	<u>-</u>	<u>(36,860,868)</u>
Capital assets being depreciated, net	<u>82,614,417</u>	<u>(396,234)</u>	<u>-</u>	<u>227,076</u>	<u>82,445,259</u>
Governmental activities capital assets, net	<u>\$ 101,374,388</u>	<u>\$ 825,203</u>	<u>\$ (2,971,115)</u>	<u>\$ -</u>	<u>\$ 99,228,476</u>

CITY OF MIDLOTHIAN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS – CONTINUED

Capital asset activity for the business-type activities for the year ended September 30, 2010, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type Activities					
Capital assets not being depreciated					
Land	\$ 630,850	\$ -	\$ -	\$ -	\$ 630,850
Water capacity rights	29,949,793	-	-	-	29,949,793
Construction in progress	4,212,404	6,213,109	-	(1,768,677)	8,656,836
	<u>34,793,047</u>	<u>6,213,109</u>	<u>-</u>	<u>(1,768,677)</u>	<u>39,237,479</u>
Capital assets being depreciated					
Buildings	11,556,642	-	-	-	11,556,642
Machinery and equipment	2,002,857	63,797	-	81,075	2,147,729
Wastewater rights	18,051,922	-	-	-	18,051,922
Water and sewer system	37,023,175	691,879	-	1,768,677	39,483,731
	<u>68,634,596</u>	<u>755,676</u>	<u>-</u>	<u>1,849,752</u>	<u>71,240,024</u>
Accumulated depreciation					
Buildings	(6,409,999)	(271,979)	-	-	(6,681,978)
Machinery and equipment	(1,467,142)	(112,448)	-	(81,075)	(1,660,665)
Wastewater rights	(1,700,009)	(451,298)	-	-	(2,151,307)
Water and sewer system	(8,235,943)	(1,220,024)	-	-	(9,455,967)
	<u>(17,813,093)</u>	<u>(2,055,749)</u>	<u>-</u>	<u>(81,075)</u>	<u>(19,949,917)</u>
Capital assets being depreciated, net	<u>50,821,503</u>	<u>(1,300,073)</u>	<u>-</u>	<u>1,768,677</u>	<u>51,290,107</u>
Business-type activities capital assets, net	<u>\$ 85,614,550</u>	<u>\$ 4,913,036</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 90,527,586</u>

**CITY OF MIDLOTHIAN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 5. CAPITAL ASSETS – CONTINUED

Depreciation expense was charged as direct expense to programs of the primary government as follows:

Governmental activities:

General government	\$	237,313
Public safety		564,353
Public works		4,395,290
Culture and recreation		145,023
Total depreciation expense- governmental activities	\$	5,341,979

Business type activities:

Water and Sewer	\$	2,055,749
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The City has active construction projects as of September 30, 2010. Total accumulated commitments for ongoing capital projects are composed of the following:

Capital Projects Funds	\$	782,501
Enterprise Fund		1,654,821
Special Revenue Funds		13,745
	\$	2,451,067

CITY OF MIDLOTHIAN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT

The City issues general obligation bonds, certificates of obligation and tax notes to provide funds for the acquisition and construction of major capital facilities and infrastructure. General obligation bonds and certificates of obligation have been issued for both governmental and business type activities while tax notes have been issued only for governmental activities.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. General obligation bonds generally are issued as 20-year serial bonds, except for refunding issues, with level debt service requirements each year.

The City also issues certificates of obligation which are direct obligations of, and pledge the full faith and credit of the City, and are further secured by a limited pledge of the surplus net revenues of the City's combined waterworks and sewer system. Certificates of obligation are generally issued as 20 year serial bonds with level debt service requirements each year.

Revenue bonds are issued by the City and these bonds are secured by a pledge of income derived from acquired or constructed assets to pay debt service.

In the fiscal year ending September 30, 2008, \$25,010,000 in water and sewer revenue bonds were issued to finance the improvement of municipal water and sewer facilities. Under the terms of this issuance, proceeds are not to be received until funds have been expended. The balance representing funds not yet received of \$18,535,000 is recorded as bond proceeds receivable.

The City issued \$5,750,000 of general obligation bonds for a current refunding of \$5,650,000 of Combination Tax & Revenue Certificates of Obligation. The refunding was undertaken to reduce total future debt service payments. The reacquisition price exceeded the net carrying amount of the old debt by \$262,952. This amount is being netted against the new debt and amortized over the new debt's life, which is the same as the refunded debt. The transaction also resulted in an economic gain of \$561,232 and a reduction of \$627,203 in future debt service payments.

CITY OF MIDLOTHIAN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT – CONTINUED

At September 30, 2010, the City's bonds payable consisted of the following:

	Governmental	Business-type
General Obligation Bonds:		
\$7,575,000 General Obligation Bonds, Series 2001, (7.59% allocated to Proprietary Fund), 4.375%- 5.875%, final installment due August, 2011.	\$ 328,056	\$ 26,942
\$5,715,000 General Obligation Bonds, Series 2003, 3.8%-5%, final installment due August 2025.	4,700,000	-
\$29,449,922 Combination Tax and Revenue Refunding Bonds, Series 2000, 5.00%-6.00%, final installment due September 2026.	-	6,154,920
\$2,825,000 General Obligation Bonds, Series 2004, 4.625%-5.5%, final installment due August, 2024.	2,415,000	485,112
\$2,320,000 General Obligation Refunding Bonds, Series 2004, 2.5%-3.9%, final installment due August 2014.	129,888	-
\$1,215,000 General Obligation Refunding Bonds, Series 2004-A, 1.7%-4.25%, final installment due August 2014.	129,859	180,142
\$5,100,000 General Obligation Bonds, Series 2005, 4.0%-5.0%, final installment due August 2025.	4,515,000	-
\$4,750,000 Combination Tax and Revenue Bonds, Series 2005, 4.0%-5.0%, final installment due August 2029.	4,175,000	-
\$7,805,000 General Obligation Refunding Bonds, Series 2006-A (16.75% allocated to Proprietary Fund), 4.0%-4.5%, final installment due August 2020.	6,252,075	1,257,927
\$3,905,000 General Obligation Bonds, Series 2006, 4.0%-5%, final installment due August 2025	3,460,000	-
\$17,390,000 General Obligation Refunding Bonds, Series 2006, 4.05%, final installment Due Aug. 2019	-	16,895,000
\$8,550,000 General Obligation Bonds, Series 2007, 4.125-5.625%, final installment due August 2027.	7,755,000	-
\$3,125,000 General Obligation Refunding Bonds, Series 2009, 2.00-3.125%, final installment due Aug. 2017	659,264	2,085,736
\$5,750,000 General Obligation Refunding Bonds, Series 2010, 2.00-3.50%, final installment due Aug. 2021	5,387,723	362,271
Total General Obligation Bonds	\$ 39,906,865	\$ 27,448,050

**CITY OF MIDLOTHIAN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 6. LONG-TERM DEBT – CONTINUED

	Governmental	Business-type
Certificates of Obligation:		
\$1,550,000 General Obligation Certificates of Obligation, Series 2001, 4.5%-6.0%, final installment due August 2011.	\$ 75,000	\$ -
\$3,000,000 Combination Tax and Revenue Certificates of Obligation, Series 2003, 4.6% - 6.0%, final installment due August 2023.	-	2,225,000
\$3,900,000 Combination Tax and Revenue Certificates of Obligation, Series 2006, 4.0%-5.5%, final installment due August 2025.	<u>3,340,000</u>	<u>-</u>
Total Certificates of Obligation	<u>\$ 3,415,000</u>	<u>\$ 2,225,000</u>
 Tax Notes:		
\$750,000 Tax Notes, Series 2006, 3.92%, final installment due February 2013.	<u>\$ 345,000</u>	<u>\$ -</u>
Total Tax Notes	<u>\$ 345,000</u>	<u>\$ -</u>

**CITY OF MIDLOTHIAN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 6. LONG-TERM DEBT – CONTINUED

	<u>Governmental</u>	<u>Business-type</u>
Revenue Bonds:		
\$6,100,000 Waterworks and Sewer System Revenue Bonds, Series 2001, 4.70-6.20%, final installment due September 2013.	\$ -	\$ 890,000
\$1,500,000 Waterworks and Sewer System Revenue Bonds, Series 2002, 4.0%-5.5% final installment due September 2023.	-	1,055,000
\$5,000,000 Waterworks and Sewer System Revenue Bonds, Series 2003, 5.0%-6.5%, final installment due September 2013.	-	355,000
\$5,920,000 Waterworks and Sewer System Revenue Bonds, Series 2004, 5.0%-6.0%, final Installment due September 2029.	-	5,350,000
\$8,120,000 Waterworks and Sewer System Revenue Refunding Bonds, Series 2006, 3.875%-4.5%, final installment due September 2033.	-	7,945,000
\$25,010,000 Waterworks and Sewer System Revenue Bonds, Series 2008, 1.0% - 3.3.% final installment due September 2028	-	23,040,000
	-	23,040,000
Total Revenue Bonds	\$ -	\$ 38,635,000

CITY OF MIDLOTHIAN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT – CONTINUED

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2010:

	Beginning Balance	Increases	Decreases	Ending Balance	Amount Due Within One Year
Governmental activities:					
General obligation bonds	\$ 40,940,080	\$ 5,387,729	\$ (6,420,944)	\$ 39,906,865	\$ 2,277,156
Certificates of obligation	4,595,000	-	(1,180,000)	3,415,000	230,000
Capital lease obligations	212,630	140,070	(89,204)	263,496	98,961
Claims and judgments	-	949,855	-	949,855	649,855
Tax note	450,000	-	(105,000)	345,000	110,000
Bond discount	(6,277)	(36,981)	843	(42,415)	(4,141)
Bond premium	22,320	285,835	(2,804)	305,351	28,293
Deferred refunding amount	(262,480)	(246,386)	26,009	(482,857)	(47,980)
Compensated absences	661,704	587,380	(531,418)	717,666	179,416
Other post employment benefits	142,250	143,665	-	285,915	-
Total governmental activities	\$ 46,755,227	\$ 7,211,167	\$ (8,302,518)	\$ 45,663,876	\$ 3,521,560
Business-type activities:					
General obligation bonds	\$ 29,724,839	\$ 362,271	\$ (2,639,060)	\$ 27,448,050	\$ 2,382,846
Accreted interest	3,279,915	469,505	-	3,749,420	-
Certificates of obligation	2,350,000	-	(125,000)	2,225,000	130,000
Revenue bonds	40,325,000	-	(1,690,000)	38,635,000	1,740,000
Capital lease obligations	60,823	-	(29,629)	31,194	31,194
Bond discount	(365,672)	(2,486)	23,731	(344,427)	(23,951)
Bond premium	28,876	19,219	(3,549)	44,546	5,259
Deferred refunding amount	(1,608,263)	(16,566)	162,808	(1,462,021)	(164,285)
Compensated absences	119,173	86,046	(97,762)	107,457	26,864
Other post employment benefits	40,122	40,521	-	80,643	-
Total business-type activities	\$ 73,954,813	\$ 958,510	\$ (4,398,461)	\$ 70,514,862	\$ 4,127,927

CITY OF MIDLOTHIAN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT – CONTINUED

The annual requirements to amortize all debts outstanding as of September 30, 2010, are as follows:

General Obligation Bonds

Year Ending September 30,	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2011	\$ 2,277,157	\$ 1,694,647	\$ 2,382,846	\$ 911,430	\$ 7,266,080
2012	2,432,372	1,604,858	2,492,614	807,942	7,337,786
2013	2,505,880	1,503,418	2,489,121	713,096	7,211,515
2014	2,601,374	1,397,600	2,538,626	617,818	7,155,418
2015	2,668,041	1,288,504	2,551,960	518,684	7,027,189
2016-2020	14,333,308	4,736,276	11,199,819	2,832,519	33,101,922
2021-2025	10,588,733	1,984,064	3,356,474	9,503,449	25,432,720
2026-2029	2,500,000	236,114	436,590	1,588,410	4,761,114
	<u>\$ 39,906,865</u>	<u>\$ 14,445,481</u>	<u>\$ 27,448,050</u>	<u>\$ 17,493,348</u>	<u>\$ 99,293,744</u>

Certificates of Obligation

Year Ending September 30,	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2011	\$ 230,000	\$ 151,496	\$ 130,000	\$ 114,680	\$ 626,176
2012	165,000	142,970	135,000	106,880	549,850
2013	175,000	133,896	140,000	98,780	547,676
2014	180,000	124,270	150,000	90,380	544,650
2015	190,000	115,946	155,000	81,380	542,326
2016-2020	1,100,000	453,880	885,000	291,790	2,730,670
2021-2025	1,375,000	191,718	630,000	64,000	2,260,718
	<u>\$ 3,415,000</u>	<u>\$ 1,314,176</u>	<u>\$ 2,225,000</u>	<u>\$ 847,890</u>	<u>\$ 7,802,066</u>

Revenue Bonds

Year Ending September 30,	Business-Type Activities		Total
	Principal	Interest	
2011	\$ 1,740,000	\$ 1,322,106	\$ 3,062,106
2012	1,790,000	1,272,056	3,062,056
2013	1,840,000	1,218,082	3,058,082
2014	1,900,000	1,160,592	3,060,592
2015	1,950,000	1,104,520	3,054,520
2016-2020	10,700,000	4,582,040	15,282,040
2021-2025	10,325,000	2,737,452	13,062,452
2026-2030	7,530,000	885,819	8,415,819
2031-2033	860,000	78,302	938,302
	<u>\$ 38,635,000</u>	<u>\$ 14,360,969</u>	<u>\$ 52,995,969</u>

**CITY OF MIDLOTHIAN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 6. LONG-TERM DEBT – CONTINUED

<u>Tax Notes</u> Year Ending September 30,	<u>Governmental-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2011	\$ 110,000	\$ 11,368	\$ 121,368
2012	115,000	6,958	121,958
2013	120,000	2,352	122,352
	<u>\$ 345,000</u>	<u>\$ 20,678</u>	<u>\$ 365,678</u>

The general fund has been used to liquidate capital lease liabilities with respect to acquisition of governmental capital assets. Also, for the governmental activities, claims and judgments, compensated absences, and other post employment benefits are generally liquidated by the general fund.

In previous years, the City has legally defeased certain outstanding general obligation and revenue debt by placing funds into irrevocable trusts pledged to pay all future debt service payments of the refunded debt. The trust pledged to pay all future debt service payments of the refunded debt. Accordingly, a liability for the defeased debt issues is not included in the City's financial statements. As of September 30, 2010, the following outstanding bonds were legally defeased:

<u>Series</u>	<u>Type</u>	<u>Amount</u>
2006	Combination tax & revenue c/o's	\$ 16,265,000
2003	Waterworks & sewer system revenue bonds	4,155,000
2001	Waterworks & sewer system revenue bonds	3,305,000
2001	General Obligation refunding bonds and tax and revenue c/o's	<u>5,650,000</u>
		<u>\$ 29,375,000</u>

**CITY OF MIDLOTHIAN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 7. CAPITAL LEASE OBLIGATIONS

The City has entered into capital lease agreements. The leased property under capital leases is classified as machinery and equipment with a net carrying value of approximately \$117,248 for governmental activities and \$124,744 for business type activities. Amortization expense has been included in depreciation expense for the year ended September 30, 2010.

The following is a schedule of future minimum payments under the capital lease together with the present value of the net minimum lease payments as of September 30, 2010:

Year Ending September 30,	Governmental Activities	Business-type Activities
2011	\$ 108,689	\$ 32,844
2012	86,640	-
2013	62,482	-
2014	26,488	-
	284,299	32,844
Less amount representing interest	(20,803)	(1,650)
Present value of net minimum lease payments	<u>\$ 263,496</u>	<u>\$ 31,194</u>

NOTE 8. PROPERTY TAX

Property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business property located in the City. Taxable assessed value represents the appraisal value less applicable exemptions authorized by the City Council.

Taxes are due on October 1, the levy date, and are delinquent after the following January 31. Tax liens are automatic on January 1, each year. Penalties and interest are included for any payment received after January 31.

Property taxes at the fund level are recorded as receivables and deferred revenues at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual have been recognized as revenue. Property taxes are recorded net of the allowance for uncollectible taxes (\$3,638 for the General Fund, \$4,828 for the Debt Service Fund). The allowance is evaluated annually based upon analysis of historical trends, current economic conditions and other pertinent factors. Uncollectible personal property taxes are written off upon expiration of the five year statute of limitations.

**CITY OF MIDLOTHIAN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 9. PENSION PLAN AND OTHER POST EMPLOYMENT RETIREMENT BENEFITS

Texas Municipal Retirement System

Plan Description

The City of Midlothian provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and the City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. Plan provisions for the City were as follows:

Deposit rate	7%
Matching ratio (City to employee)	2 to 1
A member is vested after	5 years

Members can retire at certain ages, based on the years of service with the City. The service retirement eligibilities for the City are 5 years at 60 years of age, or 20 years at any age.

**CITY OF MIDLOTHIAN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 9. PENSION PLAN AND OTHER POST EMPLOYMENT RETIREMENT
BENEFITS – CONTINUED**

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (i.e. December 31, 2009 valuation is effective for rates beginning January 2011). The annual pension cost and net pension obligation (asset) are as follows:

Trend information for the past three years for TMRS is as follows:

	Fiscal Year Ended September 30		
	2010	2009	2008
NPO at the beginning of the period	\$ -	\$ -	\$ -
Annual required contribution	1,139,843	1,034,085	786,937
Contributions made (100%)	<u>1,139,843</u>	<u>1,034,085</u>	<u>786,937</u>
NPO at the end of the period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The required contribution rates for fiscal year 2010 were determined as part of the December 31, 2007 and 2008 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2009, also follows:

**CITY OF MIDLOTHIAN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 9. PENSION PLAN AND OTHER POST EMPLOYMENT RETIREMENT
BENEFITS – CONTINUED**

Contributions – Continued

Valuation Date	12/31/2007	12/31/2008	12/31/2009
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	30 years; closed period	29 years; closed period	28 years; closed period
Asset Valuation Method	Amortized Cost	Amortized Cost	10 Year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return*	7.00%	7.50%	7.50%
Projected Salary Increases*	Varies by age and service	Varies by age and service	Varies by age and service
*Includes Inflation at	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	2.10%	2.10%	2.10%

The funded status as of December 31, 2009, the most recent actuarial valuation date, is as follows and includes the employees of the Corporation for Economic Development covered by the plan:

Actuarial Valuation Date	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) (2)	Funded Ratio (3) (1) / (2)	Unfunded AAL (UAAL) (4) (2) - (1)	Covered Payroll (5)	UAAL as a Percentage of Covered Payroll (6) (4) / (5)
12/31/2009	\$ 11,855,574	\$ 18,115,455	65.4%	\$ 6,259,881	\$8,685,730	72.1%

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

**CITY OF MIDLOTHIAN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 9. PENSION PLAN AND OTHER POST EMPLOYMENT RETIREMENT
BENEFITS – CONTINUED**

Contributions – Continued

Since its inception, TMRS has used the Unit Credit actuarial funding method. This method accounts for liability accrued as of the valuation date, but does not project the potential future liability of provisions adopted by a city. Two-thirds of the cities participating in TMRS have adopted the Updated Service Credit and Annuity Increases provisions on an annually repeating basis. For the December 31, 2009 valuation, the TMRS Board determined that the Projected Unit Credit (PUC) funding method should be used, which facilitates advance funding for future updated service credits and annuity increases that are adopted on an annually repeating basis. In addition, the Board also adopted a change in the amortization period from a 25-year "open" to a 25-year "closed" period. TMRS Board of Trustee rules provide that, whenever a change in actuarial assumptions or methods results in a contribution rate increase in an amount greater than 0.5%, the amortization period will be increased to 30 years, unless a city requests that the period remain at 25 years. For cities with repeating features, these changes would likely result initially in higher required contributions and lower funded ratios; however, the funded ratio should show steady improvement over time. To assist in this transition to higher rates, the Board also approved an eight-year phase-in period, which will allow cities the opportunity to increase their contributions gradually (approx. 12.5% each year) to their full rate (or their required contribution rate).

Other Post Employment Benefits

Current employees who retire from the City of Midlothian under a TMRS Retirement / Plan option may elect to remain on the City's medical and dental insurance plans as long as they meet the following criteria:

- Between the age of 60 and 65
- 5 years of service
- Payment of required premiums monthly by due date, or within grace period

TMRS Retirement / Plan option may include:

- Service Retirement (20 years of TMRS creditable service)
- Age 60 and 5 years of TMRS creditable service
- Disability/Medical retirement

Eligibility requirements do not vary by type of retirement.

**CITY OF MIDLOTHIAN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 9. PENSION PLAN AND OTHER POST EMPLOYMENT RETIREMENT
BENEFITS – CONTINUED**

Benefits

Retirees pay a portion of their retiree health care premium based on their years of service with the City of Midlothian. The cost of their benefit is based on their years of service with the City of Midlothian and the current rate of the active member contribution.

Retiree benefits begin on the first day of the month following retirement. If a retiree is not eligible for employer-paid retiree health benefits, they may purchase medical coverage through COBRA. The rate will depend on the coverage level and the plan they select (i.e., Employee Only, Employee + Spouse, etc.). The rate is determined by the rate structure in place at that time + a 2% administrative fee. The City of Midlothian does not contribute to any portion of the COBRA premium.

Medical coverage for retiree benefits extends only to age 65. Once a retiree reaches age 65, they will be dropped from medical coverage at the beginning of the month in which they turn 65. If a retiree cancels any or all insurance at any time during retirement, they forfeit all rights to coverage through the City for that benefit. If they cancel medical coverage all together, they may not elect medical again in the future for any reason.

Spouse / Child / Dependent Coverage

A retiree may purchase coverage for dependants through COBRA. The rate will depend on the coverage level and the plan they select (i.e., Employee Only, Employee + Spouse, etc.). The rate is determined by the rate structure in place at that time + a 2% administrative fee. The City of Midlothian does not contribute to any portion of the COBRA premium.

Medicare

Covered participants are not required to apply for Medicare if eligible prior to age 65, but may remain on the City's insurance. Retirees, however, are required to move off the City's medical plan when they reach age 65 or become Medicare eligible. The City does not contribute to the retiree Medicare premiums.

Opt-outs / Payment-in-lieu / Reimbursements

Retirees that do not continue coverage through our retiree health care plans do not receive payment in lieu of retiree health care.

**CITY OF MIDLOTHIAN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 9. PENSION PLAN AND OTHER POST EMPLOYMENT RETIREMENT
BENEFITS – CONTINUED**

Types of Coverage Offered

The City offers medical and dental coverage to eligible retirees.

Annual Medical Contributions

The City of Midlothian will pay the applicable premiums for the medical and dental insurance or a portion thereof for the retiree from age 60 to 65 as follows:

- a. Retirees who have 20 years of service with the City of Midlothian, the city will pay 100% of the premium;
- b. Retirees who have 15 years of service with the City of Midlothian, the city will pay 75% of the premium;
- c. Retirees who have 10 years of service with the City of Midlothian, the city will pay 50% of the premium;
- d. Retirees who have 5 years of service with the City of Midlothian, the city will pay 25% of the premium.

Funding Policy and Annual OPEB Cost

The City's annual other post employment benefits (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameter of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The City had its first OPEB actuarial valuation performed for the fiscal year beginning October 1, 2008 as required by GASB. The City's annual OPEB cost for the current year is as follows:

Annual required contribution	\$ 196,064
Interest on OPEB obligation	-
Adjustment to ARC	-
Annual OPEB cost (expense) end of year	196,064
Net employer contributions	(11,878)
Increase in net OPEB obligation (NOO)	184,186
Net OPEB obligation - as of beginning of the year	182,372
Net OPEB obligation (asset) - as of end of the year	\$ 366,558

**CITY OF MIDLOTHIAN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 9. PENSION PLAN AND OTHER POST EMPLOYMENT RETIREMENT
BENEFITS – CONTINUED**

Funding status and funding progress

The funded status of the City’s retiree health care plan, under GASB Statement No. 45, as of September 30, 2010 is as follows:

Actuarial Valuation Date as of September 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
2008	\$ -	\$ 1,048,811	\$ 1,048,811	\$ -	\$8,685,730	12.1%

Under the reporting parameters, the City’s retiree health care plan is 0% funded with an estimated actuarial accrued liability exceeding actuarial assets by \$1,048,811 at September 30, 2010.

Actuarial methods and assumptions

The Unit Credit actuarial cost method is used to calculate the GASB ARC for the City’s retiree health care plan. Using the plan benefits, the present health care premiums, and a set of actuarial assumptions, the anticipated future payments are projected. The Unit Credit method then provides for a systematic funding for these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members, as well as to amortize a portion of the unfunded accrued liability. Projections of health benefits are based on the plan as understood by the City and include the types of benefits in force at the valuation date and the pattern of sharing benefits costs between the City and the City’s employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the City’s retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**CITY OF MIDLOTHIAN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 9. PENSION PLAN AND OTHER POST EMPLOYMENT RETIREMENT
BENEFITS – CONTINUED**

City of Midlothian - OPEB Disclosure as of 9/30/2010

Fiscal Year Ended	Employer Annual Required Contribution	Employer Amount Contributed (est.)	Interest on NOO (9) x 4.0%	ARC Adjustment	Amortization Factor	OPEB Cost	Change in NOO	NOO Balance
(1)	(2)	(3)	(4)	(5)	(6)	(2) + (4) - (5)	(7) - (3)	NPO + (8)
						(7)	(8)	(9)
9/30/2008	-	-	-	-	-	-	-	-
9/30/2009	\$ 196,064	\$ 13,692	-	-	17.9837	\$ 196,064	\$182,372	\$ 182,372
9/30/2010	196,064	11,878	-	-	17.9837	196,064	184,186	366,558

Texas Statewide Emergency Services Personnel Retirement Fund (Senate Bill 411)

Plan Description

The Fire Fighters' Pension Commissioner is the administrator of the Texas Statewide Emergency Services Personnel Retirement Fund (Fund), a cost-sharing multiple employer pension system established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. The Fund is considered a component unit of the State of Texas financial reporting entity and is included in the State's financial reports as a pension trust fund. At August 31, 2010, there were 198 member departments participating in the Fund.

The table below summarizes the pension system membership as of August 31, 2010:

Retirees and beneficiaries currently receiving benefits	2,152
Terminated members entitled to benefits but not yet receiving them	2,105
Current active members (vested and nonvested)	<u>4,359</u>
Total	<u>8,616</u>

The above membership count does not include retirees and beneficiaries that have been in the Texas Local Fire Fighters Retirement Act (TLFFRA) fund before merging into S.B. 411. Of the 4,359 current members, 7 were covered by Midlothian. The Fund was created by Senate Bill 411, 65th Legislature, Regular Session (1977), and was revised in the 79th Legislature, Regular Session (2005). The Fund's provisions include retirement benefits as well as death and disability benefits. Members are 50% vested after the tenth year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

**CITY OF MIDLOTHIAN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 9. PENSION PLAN AND OTHER POST EMPLOYMENT RETIREMENT
BENEFITS – CONTINUED**

Plan Description – Continued

Eligible members include emergency services personnel who provide services related to fire, rescue and emergency medical services and who service without remuneration while members in good standing of a participating department. In addition, eligible members include auxiliary employees who receive limited compensation from a political subdivision of Texas and who are certified by the political subdivision as being regularly engaged in the performance of duties for a participating department.

Members can retire at certain ages, based on the years of service with the Employer.

The Service Retirement Eligibility for the Employer is 15 years/age 55

Upon reaching age 55, a vested member may retire and receive a monthly pension equal to his vested percentage multiplied by six times the governing body's average – monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually.

On and off-duty death benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump-sum amount and continuing monthly payments to a member's surviving spouse and/or dependents.

Contribution requirements were established by S.B. 411, 65th Legislative, Regular Session (1977) and were amended by board rule in 2006. No contributions are required by individual members. The governing bodies of participant department members are required to contribute at least the minimum prescribed amount per month for each active member and may contribute more.

Additional contributions may be made by governing body to pay for granting credit for service before the department began participating in TESRS (prior service). The State may also be required to make a limited amount of annual contributions to make the fund actuarially sound.

Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting – The Texas Statewide Emergency Services Personnel Retirement Fund financial statements are prepared using the accrual basis of accounting. The Fund's fiscal year is from September 1 through the following August 31. Contributions are recognized as revenues in the period in which they are due to the Fund. No contributions applicable to the H.B. 258 Texas Local Fire Fighters Retirement Act (TLFFRA) are included herein.

CITY OF MIDLOTHIAN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

**NOTE 9. PENSION PLAN AND OTHER POST EMPLOYMENT RETIREMENT
BENEFITS – CONTINUED**

Summary of Significant Accounting Policies and Plan Asset Matters – Continued

Method Used to Value Investments – The Texas Statewide Emergency Services Personnel Retirement Fund investments are reported at fair market value. Gains and losses on sales of assets are recognized on the transaction date. Appreciation or depreciation of investments are recognized immediately.

Plan Asset Matters – Net assets available for benefits, as computed by the Fund's actuary, included the total of the principal and interest due on contracts with member governing bodies for the purchase of buybacks and unfunded prior service costs.

Contributions

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by board rule. For the fiscal year ended August 31, 2010 total contributions (dues and prior service) of \$2,875,103 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The state did not appropriate any maximum state contribution for the fiscal years ending August 31, 2010 and 2011 total contributions made were equal to the contributions required by the state statute and equal to the contributions required based on the August 31, 2008 actuarial valuation. The City of Midlothian's contributions for the years ending September 30, 2008, 2009, and 2010 were \$1,952, \$1,952, and \$992 respectively, and were equal to the required contributions for each year.

The purpose of the biennial actuarial valuation is to test the adequacy of the financing arrangement to determine if it is adequate to pay the benefits that are promised. The actuarial valuation as of August 31, 2010, revealed the adequacy of the expected contributions from the political subdivisions together with the actual state appropriations for the fiscal year ended August 31, 2010 (\$502,941 to help pay for the System's administrative expenses) and with the assumed continuation of legislative appropriations of (1) the maximum state contribution amount in future years for up to 30 years as is necessary for the System to have a 30-year amortization period, and (2) approximately \$500,000 each year to help pay for the System's administrative expenses. Expected contributions for the fiscal year ending August 31, 2011 are less than the contributions required because of the lag in time between an actuarial valuation that shows the need for maximum state contribution amounts and the appropriations process.

In addition to the contributions for dues and prior service made to the Texas Statewide Emergency Services Personnel Retirement Fund, some cities are required to make additional deposits. These additional deposits are for retirees and beneficiaries that have been in the H.B. 258 Texas Local Fire Fighters Retirement Act (TLFFRA) fund before merging into S.B. 411. For Midlothian, there were no additional deposits made.

**CITY OF MIDLOTHIAN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 10. INTERFUND TRANSFERS AND BALANCES

All interfund transfers between the various funds are approved supplements to the operations of those funds. The following is a schedule of fiscal year 2010 transfer activity:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>	<u>Purpose</u>
General fund	Water and sewer	\$ 875,173	Cover personnel costs
Capital projects fund	Water and sewer	615,263	Capital reserve - various projects
Special Revenue fund	General Fund	96,031	Conference Center
Water and sewer fund	Debt service	<u>2,744,038</u>	Funds for debt service
	Totals	<u>\$ 4,330,505</u>	

Interfund balances at September 30, 2010 consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Water and Sewer	\$ 3,821	Garbage franchise fees
General Fund	Capital Projects	392,976	Temporary project loans
General Fund	Nonmajor Governmental	3,177	Cash loan
Conference Center	Motel tax	<u>7,804</u>	Cash loan
	Totals	<u>\$ 407,778</u>	

NOTE 11. RISK MANAGEMENT

The City 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. The City has purchased commercial insurance to protect against these various risks of loss. There was no significant reduction in insurance coverage from the previous year. Settled claims for risks have not exceeded insurance coverage for the past three years.

**CITY OF MIDLOTHIAN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 12. JOINT VENTURE – MIDLOTHIAN/WAXAHACHIE AIRPORT

Pursuant to an inter-local agreement authorized by state statutes, the City of Waxahachie, Texas joined the City of Midlothian, Texas to construct and operate an airport for the mutual benefit of the two cities. The agreement established an Airport Board of seven members. Each city appoints three members to terms of three years. The seventh member is appointed for a two-year term. The cities alternate appointing the seventh member.

The Board is responsible for the supervision and operation of the airport assets, grounds, and improvements. Each year the Board shall prepare a budget for consideration by the cities. The Airport Budget is funded by equal contributions from each city, user fees, and a tax on fuel. The Cities of Midlothian and Waxahachie each have a 50 percent share of assets, liabilities and fund equity. Most of the construction of the airport was funded by grants from the Federal Aviation Administration.

The budget for FY 2010 required each city to contribute \$40,000 towards the operation of the airport. This amount is expected to decrease in the future as other revenues increase. Complete financial statements for the Airport Board can be obtained from the City of Waxahachie Finance Director at 401 S. Rogers, Waxahachie, Texas.

The following is summary financial information of the joint venture at September 30, 2010 and for the year then ended:

Balance Sheet	
Assets	\$ 9,341,250
Liabilities	<u>(35,544)</u>
Net assets	<u>\$ 9,305,706</u>
Revenues	\$ 454,175
Expenses	<u>(643,019)</u>
Net loss	<u>\$ (188,844)</u>

CITY OF MIDLOTHIAN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 13. CONDUIT DEBT OBLIGATIONS

During the year, the City Of Midlothian Industrial Development Corporation issued Environmental Facilities Revenue Bonds to provide financial assistance to a private sector entity for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

There is one series of Environmental Facilities Revenue Refunding Bonds outstanding, with an aggregate principal amount outstanding of \$26,700,000.

NOTE 14. CONTINGENT LIABILITIES

In December 2010 the City of Midlothian was notified by the Ellis Central Appraisal District that a probable loss will be incurred due to a property tax appeal case against the District. The case is pending final judgment but the amount of the potential judgment plus interest can be reasonably estimated and thus a liability has been accrued in the amount of \$349,855. The entire amount is expected to be paid within twelve months and is recorded in the Government Wide Statements accordingly.

In addition, there are various other cases concerning collected taxes being contested. No accrual has been made for these in the financial statements as they are not estimable.

**CITY OF MIDLOTHIAN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 15. PRIOR PERIOD ADJUSTMENT

In previous years the Midlothian Conference Center was listed as an asset of the Midlothian Community Development Corporation. However, the Midlothian Conference Center is an asset of the City of Midlothian as it was considered donated to the City upon completion of construction. Accordingly, beginning net assets as previously reported have been restated to reflect the asset in the appropriate reporting entity. This results in a restatement of the beginning net assets for the Governmental Activities and the Midlothian Community Development Corporation, as follows:

	Statement of Activities Governmental Activities	Statement of Activities Component Units	Combining Statement of Activities Discretely Presented Component Units Midlothian Community Development Corporation
	<u> </u>	<u> </u>	<u> </u>
Beginning net assets, as previously reported	\$ 75,745,415	\$ 5,943,566	\$ 2,424,403
Adjustment of fixed asset balances	<u>5,163,222</u>	<u>(5,163,222)</u>	<u>(5,163,222)</u>
Beginning net assets, restated	<u><u>\$ 80,908,637</u></u>	<u><u>\$ 780,344</u></u>	<u><u>\$ (2,738,819)</u></u>

BUDGETARY COMPARISON GENERAL FUND

CITY OF MIDLOTHIAN, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED SEPTEMBER 30, 2010

	<u>Budgeted amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive (Negative)</u>
Revenues:				
Taxes	\$ 9,689,138	\$ 9,689,138	\$ 10,073,172	\$ 384,034
Licenses and permits	208,658	208,658	286,907	78,249
Intergovernmental	2,591,636	2,591,636	2,601,947	10,311
Charges for services	701,478	701,478	749,287	47,809
Fines	439,407	439,407	484,477	45,070
Investment income	144,000	144,000	48,940	(95,060)
Miscellaneous revenues	76,760	76,760	192,379	115,619
Total revenues	<u>13,851,077</u>	<u>13,851,077</u>	<u>14,437,109</u>	<u>586,032</u>
Expenditures:				
Current				
General government	3,576,283	3,753,313	3,741,703	11,610
Public safety	7,850,137	7,871,137	7,791,388	79,749
Public works	1,969,470	2,107,671	1,785,574	322,097
Culture and recreation	944,072	944,072	687,663	256,409
Intergovernmental	1,229,466	1,229,466	1,226,223	3,243
Total expenditures	<u>15,569,428</u>	<u>15,905,659</u>	<u>15,232,551</u>	<u>673,108</u>
Excess (deficiency) of revenues over expenditures	<u>(1,718,351)</u>	<u>(2,054,582)</u>	<u>(795,442)</u>	<u>1,259,140</u>
Other financing sources (uses)				
Capital lease proceeds	-	-	140,070	140,070
Transfers in	875,173	875,173	875,173	-
Transfers out	(96,031)	(96,031)	(96,031)	-
Total other financing sources (uses)	<u>779,142</u>	<u>779,142</u>	<u>919,212</u>	<u>140,070</u>
Net change in fund balance	(939,209)	(1,275,440)	123,770	1,399,210
Fund Balances - beginning of year	<u>8,604,759</u>	<u>8,604,759</u>	<u>8,604,759</u>	<u>-</u>
Fund Balances - end of year	<u>\$ 7,665,550</u>	<u>\$ 7,329,319</u>	<u>\$ 8,728,529</u>	<u>\$ 1,399,210</u>

CITY OF MIDLOTHIAN, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1. BUDGETARY CONTROL

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to August 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of an ordinance.
4. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.
5. The legal level of budgetary control (i.e., the level at which expenditures may not exceed appropriations) is the fund level.
6. Formal budgetary integration is employed as a management control device during the year for the General Fund.
7. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Encumbered amounts lapse at year end. At year end, encumbrances are canceled or reappropriated as part of the following year budget.

Annual Appropriated budgets are consistent with U.S. generally accepted accounting principles and are legally adopted for the general fund and the water and sewer fund. Special revenue fund budgets are not legally adopted.

All appropriations lapse on September 30 of the fiscal year.

Budgeted amounts are as originally adopted or as amended by the City Council. Individual amendments were not material in relation to the original appropriations, which were adopted.

**SCHEDULE OF FUNDING PROGRESS FOR
PARTICIPATION IN RETIREMENT SYSTEMS**

**CITY OF MIDLOTHIAN, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR
PARTICIPATION IN RETIREMENT SYSTEMS**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Percentage Funded	Unfunded Actuarial Accrued Liability	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
Texas Municipal Retirement System						
12/31/00	\$ 3,992,915	\$ 4,593,202	86.9	\$ 600,287	\$ 3,053,477	19.7
12/31/01	4,765,610	5,552,287	85.8	786,677	3,772,401	20.9
12/31/02	5,191,317	6,920,621	75.0	1,729,304	4,218,255	41.0
12/31/03	5,659,884	7,785,913	72.7	2,126,029	4,689,206	45.3
12/31/04	6,573,551	8,551,201	76.9	1,977,650	5,048,689	39.2
12/31/05	7,725,280	9,874,111	78.2	2,148,831	5,821,545	36.9
12/31/06	8,279,956	10,998,277	75.3	2,718,321	6,607,888	41.1
12/31/07	9,171,206	14,641,281	62.6	5,470,075	7,042,322	77.7
12/31/08	10,444,021	16,196,790	64.5	5,752,769	7,962,100	72.3
12/31/09	11,855,574	18,115,455	65.4	6,259,881	8,685,730	72.1
Texas Statewide Emergency Services Personnel Retirement Fund (Senate Bill 411)						
08/31/98	\$ 26,420,269	\$ 28,558,982	92.5	\$ 2,138,713	NA	
08/31/00	36,767,553	36,048,771	102.0	(718,782)	NA	
08/31/02	30,451,876	43,240,852	70.4	12,788,976	NA	
08/31/04	38,140,501	51,567,426	74.0	13,426,925	NA	
08/31/06	42,268,305	58,082,828	72.8	15,814,523	NA	
08/31/08	60,987,157	64,227,341	95.0	3,240,184	N/A	
08/31/10	64,113,803	79,953,215	80.2	15,839,412	N/A	
Other Post Employment Retirement Benefits						
10/1/2009	\$ -	\$ 1,048,811	0.0%	\$ 1,048,811	N/A	

COMBINING SCHEDULES AND STATEMENTS

**CITY OF MIDLOTHIAN, TEXAS
NON MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS**

The Special Revenue Funds are used to account for revenue sources that are legally restricted to expenditures for specified purposes.

Police Imprest Fund -- Established to account for funds accumulated through police seizures.

Midlothian Restoration Fund – Established to account for monies collected from the sale of memorial bricks and donations from citizens.

Hotel/Motel Tax Fund – Established to account for local hotel and motel occupancy tax receipts.

Beautification Fund -- Established to account for monies collected from the leasing of kiosks to be used for the beautification of the City of Midlothian.

MidTowne PID – Established to account for revenues and expenditures associated with the MidTowne Public Improvement District (PID) to fund improvements and/or services undertaken by the district for the benefit of property owners.

Police Training Academy -- Established to account for funds accumulated for in-service training provided by the City of Midlothian Police Department for City police officers, as well as for those of neighboring cities.

Municipal Court Fund -- Established to account for the accumulation of funds to be used for court building security, court technology, judicial efficiency and child safety program.

Grant Fund – Established to account for various grants with which the City of Midlothian participates.

Conference Center Fund – Established to account for revenues and expenditures associated with the operation of the Midlothian Conference Center.

**CITY OF MIDLOTHIAN, TEXAS
COMBINING BALANCE SHEET
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010**

ASSETS	Police Imprest	Midlothian Restoration	Motel Tax	Beautification Fund
Cash and cash equivalents	\$ 8,954	\$ 4,001	\$ 94,439	\$ 60,436
Accounts receivable	-	-	3,807	1,269
Due from other governments	-	-	-	-
Due from other funds	-	-	-	-
TOTAL ASSETS	\$ 8,954	\$ 4,001	\$ 98,246	\$ 61,705
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable and accrued liabilities	\$ 1,800	\$ 228	\$ -	\$ -
Due to other funds	-	-	7,804	-
Deferred revenue	-	-	-	-
Total liabilities	1,800	228	7,804	-
Fund balances				
Reserved for police department	7,154	-	-	-
Reserved for restoration	-	3,773	-	-
Reserved for city promotion	-	-	90,442	-
Reserved for city beautification	-	-	-	61,705
Reserved for public improvement district	-	-	-	-
Reserved for court	-	-	-	-
Reserved for Grant/Disbursement	-	-	-	-
Reserved for conference center	-	-	-	-
Reserved for police training academy	-	-	-	-
Unreserved	-	-	-	-
Total fund balances	7,154	3,773	90,442	61,705
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,954	\$ 4,001	\$ 98,246	\$ 61,705

MidTowne PID	Training Academy	Municipal Court	Grant Fund	Conference Center Fund	Total Non Major Governmental Funds
\$ 689	\$ 8,961	\$ 120,644	\$ 91,360	\$ 66,652	\$ 456,136
927	525	-	-	25	6,553
-	-	-	844	-	844
-	-	-	-	7,804	7,804
<u>\$ 1,616</u>	<u>\$ 9,486</u>	<u>\$ 120,644</u>	<u>\$ 92,204</u>	<u>\$ 74,481</u>	<u>\$ 471,337</u>
\$ -	\$ -	\$ 17,990	\$ 114,264	\$ 30,548	\$ 164,830
-	-	-	3,152	25	10,981
65	-	-	-	-	65
<u>65</u>	<u>-</u>	<u>17,990</u>	<u>117,416</u>	<u>30,573</u>	<u>175,876</u>
-	-	-	-	-	7,154
-	-	-	-	-	3,773
-	-	-	-	-	90,442
-	-	-	-	-	61,705
1,551	-	-	-	-	1,551
-	-	102,654	-	-	102,654
-	-	-	-	-	-
-	-	-	-	43,908	43,908
-	9,486	-	-	-	9,486
-	-	-	(25,212)	-	(25,212)
<u>1,551</u>	<u>9,486</u>	<u>102,654</u>	<u>(25,212)</u>	<u>43,908</u>	<u>295,461</u>
<u>\$ 1,616</u>	<u>\$ 9,486</u>	<u>\$ 120,644</u>	<u>\$ 92,204</u>	<u>\$ 74,481</u>	<u>\$ 471,337</u>

**CITY OF MIDLOTHIAN, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - NON MAJOR
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2010**

	<u>Special Revenue</u>			
	<u>Police Imprest</u>	<u>Midlothian Restoration</u>	<u>Hotel Motel Tax</u>	<u>City Beautification Fund</u>
Revenues				
Taxes	\$ -	\$ -	\$ 14,343	\$ -
Charges for services	-	-	-	-
Investment income	10	4	81	150
Intergovernmental	-	-	-	-
Contributions and donations	-	-	-	-
Miscellaneous revenues	5,426	1,574	-	1,770
Total revenues	<u>5,436</u>	<u>1,578</u>	<u>14,424</u>	<u>1,920</u>
Expenditures:				
Current:				
General government	2,707	456	27,519	46,678
Total expenditures	<u>2,707</u>	<u>456</u>	<u>27,519</u>	<u>46,678</u>
Excess (deficiency) revenues over expenditures	2,729	1,122	(13,095)	(44,758)
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	2,729	1,122	(13,095)	(44,758)
Fund Balances - beginning of year	4,425	2,651	103,537	106,463
Fund Balances - end of year	<u>\$ 7,154</u>	<u>\$ 3,773</u>	<u>\$ 90,442</u>	<u>\$ 61,705</u>

Special Revenue					
Midtowne PID	Police Training Academy	Municipal Court	Grant Fund	Conference Center	Total Non Major Governmental Funds
\$ 1,551	\$ -	\$ -	\$ -	\$ -	\$ 15,894
-	12,620	36,656	-	128,498	177,774
-	12	125	85	289	756
-	-	-	120,393	-	120,393
-	-	-	-	213,367	213,367
-	-	-	40,205	36	49,011
<u>1,551</u>	<u>12,632</u>	<u>36,781</u>	<u>160,683</u>	<u>342,190</u>	<u>577,195</u>
-	3,829	86,520	186,218	394,313	748,240
-	3,829	86,520	186,218	394,313	748,240
1,551	8,803	(49,739)	(25,535)	(52,123)	(171,045)
-	-	-	-	96,031	96,031
-	-	-	-	-	-
-	-	-	-	96,031	96,031
1,551	8,803	(49,739)	(25,535)	43,908	(75,014)
-	683	152,393	323	-	370,475
<u>\$ 1,551</u>	<u>\$ 9,486</u>	<u>\$ 102,654</u>	<u>\$ (25,212)</u>	<u>\$ 43,908</u>	<u>\$ 295,461</u>

STATISTICAL SECTION

STATISTICAL SECTION

This part of the City of Midlothian's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, notes disclosures, and required supplementary information says about the City's overall financial health. This information has not been audited by the independent auditor.

Contents

Table #s

Financial Trends

1, 2, 3 & 4

These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

5, 6, 7 & 8

These tables contain information to help the reader assess the City's most significant local revenue source, property taxes.

Debt Capacity

9, 10, 11 & 12

These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Economic and Demographic Information

13 & 14

These tables offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

15, 16 & 17

These tables contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides.

Source: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in fiscal year 2003: tables presenting government-wide information include information beginning in that year.

**CITY OF MIDLOTHIAN, TEXAS
NET ASSETS BY COMPONENT
LAST EIGHT FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

TABLE 1

	Fiscal Year							
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental activities								
Invested in capital assets, net of related debt	\$ 34,992,697	\$ 44,403,230	\$ 53,652,241	\$ 53,094,615	\$ 52,791,760	\$ 53,135,751	\$ 54,117,093	\$ 60,076,738
Restricted	2,190,301	2,343,095	2,426,815	7,395,689	7,520,809	7,347,708	7,415,494	7,205,824
Unrestricted	6,469,133	7,876,890	8,683,272	14,743,404	15,642,298	15,833,756	14,212,828	13,075,535
Total governmental activities net assets	<u>\$ 43,652,131</u>	<u>\$ 54,623,215</u>	<u>\$ 64,762,328</u>	<u>\$ 75,233,708</u>	<u>\$ 75,954,867</u>	<u>\$ 76,317,215</u>	<u>\$ 75,745,415</u>	<u>\$ 80,358,097</u>
Business-type activities								
Invested in capital assets, net of related debt	\$ 26,230,674	\$ 23,119,552	\$ 26,457,018	\$ 28,077,782	\$ 28,201,406	\$ 34,232,327	\$ 38,620,941	\$ 42,485,244
Restricted	229,298	1,613,053	1,990,925	1,971,967	3,258,554	7,833,598	5,990,113	5,096,405
Unrestricted	1,181,854	5,434,318	6,732,666	11,499,376	15,287,313	10,016,619	11,409,290	11,711,779
Total business-type activities net assets	<u>\$ 27,641,826</u>	<u>\$ 30,166,923</u>	<u>\$ 35,180,609</u>	<u>\$ 41,549,125</u>	<u>\$ 46,747,273</u>	<u>\$ 52,082,544</u>	<u>\$ 56,020,344</u>	<u>\$ 59,293,428</u>
Primary government								
Invested in capital assets, net of related debt	\$ 61,223,371	\$ 67,522,782	\$ 80,109,259	\$ 81,172,397	\$ 80,993,166	\$ 87,368,078	\$ 92,738,034	\$ 102,561,982
Restricted	2,419,599	3,956,148	4,417,740	9,367,656	10,779,363	15,181,306	13,405,607	12,302,229
Unrestricted	7,650,987	13,311,208	15,415,938	26,242,780	30,929,611	25,850,375	25,622,118	24,787,314
Total primary governmental net assets	<u>\$ 71,293,957</u>	<u>\$ 84,790,138</u>	<u>\$ 99,942,937</u>	<u>\$ 116,782,833</u>	<u>\$ 122,702,140</u>	<u>\$ 128,399,759</u>	<u>\$ 131,765,759</u>	<u>\$ 139,651,525</u>

Source: Comprehensive Annual Financial Report

Note: Accrual-basis financial information for the city as a whole is only available back to 2003, the year GASB Statement 34 was implemented.

**CITY OF MIDLOTHIAN, TEXAS
CHANGES IN NET ASSETS
LAST EIGHT FISCAL YEARS
(UNAUDITED)**

TABLE 2

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Expenses								
Governmental activities:								
General government	\$ 2,851,816	\$ 3,211,967	\$ 2,771,637	\$ 3,524,193	\$ 4,320,348	\$ 5,701,289	\$ 6,828,752	\$ 7,543,122
Public safety	3,422,971	3,638,314	4,258,662	4,783,998	5,626,175	10,144,461	7,626,384	8,279,339
Public works	2,234,519	3,192,042	4,131,249	4,918,349	5,989,835	2,223,195	6,262,354	8,174,318
Culture and recreation	446,606	664,502	595,056	721,481	766,926	823,641	963,167	832,755
Intergovernmental	-	-	1,046,767	-	-	-	-	-
Grants administration	-	-	-	-	-	-	-	-
Interest on long-term debt	1,154,022	1,248,669	1,581,139	1,989,803	2,125,540	2,459,538	2,265,172	2,146,258
Total governmental activities expenses	<u>10,109,934</u>	<u>11,955,494</u>	<u>14,384,510</u>	<u>15,937,824</u>	<u>18,828,824</u>	<u>21,352,124</u>	<u>23,945,829</u>	<u>26,975,792</u>
Business-type activities:								
Water and sewer	4,762,170	5,384,325	9,434,690	9,761,351	9,510,265	10,293,223	9,382,185	8,832,538
Midlothian Water District*	3,321,360	2,809,028	-	-	-	-	-	-
Total business-type activities expenses	<u>8,083,530</u>	<u>8,193,353</u>	<u>9,434,690</u>	<u>9,761,351</u>	<u>9,510,265</u>	<u>10,293,223</u>	<u>9,382,185</u>	<u>8,832,538</u>
Total primary government expenses	<u>\$ 18,193,464</u>	<u>\$ 20,148,847</u>	<u>\$ 23,819,200</u>	<u>\$ 25,699,175</u>	<u>\$ 28,339,089</u>	<u>\$ 31,645,347</u>	<u>\$ 33,328,014</u>	<u>\$ 35,808,330</u>
Program Revenues								
Governmental activities:								
Charges for Services:								
General government	\$ 527,668	\$ 607,970	\$ 743,673	\$ 1,020,088	\$ 1,086,306	\$ 993,998	\$ 826,510	\$ 1,257,946
Public safety	261,656	405,064	751,319	692,899	875,772	1,347,798	1,039,640	922,514
Public works	554,591	640,834	1,039,022	855,735	652,315	402,686	159,627	235,720
Culture and recreation	61,169	63,763	61,059	89,351	84,078	75,926	115,770	104,083
Operating grants and contributions	20,925	309,936	349,606	407,000	424,274	791,000	716,785	1,117,482
Capital grants and contributions	-	9,358,125	7,409,028	8,942,467	1,573,854	1,100,052	3,587,353	4,549,205
Total governmental activities program revenues	<u>1,426,009</u>	<u>11,385,692</u>	<u>10,353,707</u>	<u>12,007,540</u>	<u>4,696,599</u>	<u>4,711,460</u>	<u>6,445,685</u>	<u>8,186,950</u>
Business-type activities:								
Charges for services:								
Water and sewer	5,900,120	6,743,732	7,423,371	9,124,667	8,550,522	9,004,563	9,020,455	8,969,864
Operating Grants and Contributions	-	-	-	-	-	-	-	-
Capital grants and contributions	5,396,684	1,265,192	2,061,875	3,426,243	2,063,610	2,399,381	1,739,780	1,781,928
Total business-type activities program revenues	<u>11,296,804</u>	<u>8,008,924</u>	<u>9,485,246</u>	<u>12,550,910</u>	<u>10,614,132</u>	<u>11,403,944</u>	<u>10,760,235</u>	<u>10,751,792</u>
Total primary government program revenues	<u>\$ 12,722,813</u>	<u>\$ 19,394,616</u>	<u>\$ 19,838,953</u>	<u>\$ 24,558,450</u>	<u>\$ 15,310,731</u>	<u>\$ 16,115,404</u>	<u>\$ 17,205,920</u>	<u>\$ 18,938,742</u>

**CITY OF MIDLOTHIAN, TEXAS
CHANGES IN NET ASSETS
LAST EIGHT FISCAL YEARS
(UNAUDITED)**

TABLE 2

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010 (continued)
Net (Expenses) Revenue								
Governmental activities	\$ (8,683,925)	\$ (569,802)	\$ (4,030,803)	\$ (3,930,284)	\$ (14,132,225)	\$ (16,640,664)	\$ (17,500,144)	\$ (18,788,842)
Business-type activities	3,213,274	(184,429)	50,556	2,789,559	1,103,867	1,110,721	1,378,050	1,919,254
Total primary government net expenses	<u>\$ (5,470,651)</u>	<u>\$ (754,231)</u>	<u>\$ (3,980,247)</u>	<u>\$ (1,140,725)</u>	<u>\$ (13,028,358)</u>	<u>\$ (15,529,943)</u>	<u>\$ (16,122,094)</u>	<u>\$ (16,869,588)</u>
General Revenues and Other Changes in Net Assets								
Governmental activities:								
Taxes:								
Property taxes	\$ 5,811,384	\$ 5,784,797	\$ 6,435,841	\$ 7,439,903	\$ 8,526,517	\$ 9,571,876	\$ 13,850,859	\$ 14,427,645
Sales taxes	887,851	1,288,825	1,257,122	1,477,006	1,664,955	1,814,772	1,825,763	1,801,035
Franchise taxes	2,511,730	3,571,916	2,954,024	3,773,723	2,759,205	3,242,083	2,349,155	2,362,513
Penalties and interest	26,896	29,101	36,612	43,555	62,194	56,157	103,432	138,459
Other taxes	19,658	17,409	19,567	20,410	20,097	20,707	20,142	20,645
Unrestricted grants and contributions	2,572,694	-	-	-	-	-	-	-
Interest on investments	212,884	189,776	535,154	1,105,733	1,179,698	857,620	252,125	78,442
Miscellaneous	202,331	367,045	170,809	531,456	296,434	665,583	516,764	663,165
Transfers	(325,199)	292,017	(112,679)	9,878	344,284	774,214	(1,989,896)	(1,253,602)
Total governmental activities	<u>11,920,229</u>	<u>11,540,886</u>	<u>11,296,450</u>	<u>14,401,664</u>	<u>\$ 14,853,384</u>	<u>\$ 17,003,012</u>	<u>\$ 16,928,344</u>	<u>\$ 18,238,302</u>
Business-type activities:								
Taxes	2,366,928	2,296,713	2,461,678	3,027,156	3,378,525	3,840,787	-	-
Interest on Investments	156,084	198,928	363,514	677,488	919,443	674,965	308,837	100,228
Unrestricted Grants and Contributions	1,636,196	-	-	-	-	-	-	-
Miscellaneous	90,201	154,724	259,599	81,067	140,597	483,012	261,017	-
Transfers	325,199	(292,017)	112,679	(206,754)	(344,284)	(774,214)	1,989,896	1,253,602
Total business-type activities	<u>4,574,608</u>	<u>2,358,348</u>	<u>3,197,470</u>	<u>3,578,957</u>	<u>4,094,281</u>	<u>4,224,550</u>	<u>2,559,750</u>	<u>1,353,830</u>
Total primary government	<u>\$ 16,494,837</u>	<u>\$ 13,899,234</u>	<u>\$ 14,493,920</u>	<u>\$ 17,980,621</u>	<u>\$ 18,947,665</u>	<u>\$ 21,227,562</u>	<u>\$ 19,488,094</u>	<u>\$ 19,592,132</u>
Change in Net Assets								
Governmental activities	\$ 3,236,304	\$ 10,971,084	\$ 7,265,647	\$ 10,471,380	\$ 721,159	\$ 362,348	\$ (571,800)	\$ (550,540)
Business-type activities	7,787,882	2,173,919	3,248,026	6,368,516	5,198,148	5,335,271	3,937,800	3,273,084
Total primary government	<u>\$ 11,024,186</u>	<u>\$ 13,145,003</u>	<u>\$ 10,513,673</u>	<u>\$ 16,839,896</u>	<u>\$ 5,919,307</u>	<u>\$ 5,697,619</u>	<u>\$ 3,366,000</u>	<u>\$ 2,722,544</u>

Source: Comprehensive Annual Financial Report

Note: Accrual-basis financial information for the city as a whole is only available back to 2003, the year GASB Statement 34 was implemented.

Water District Disolved 2004-2005 tax year

**CITY OF MIDLOTHIAN, TEXAS
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

Table 3

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Fund										
Reserved ^a	\$ 1,865,945	\$ -	\$ 5,800	\$ 10,311	\$ 104,911	\$ 21,397	\$ 9,703	\$ 15,175	\$ 15,633	\$ 44,246
Unreserved	2,902,085	5,656,513	5,079,927	6,256,189	6,840,162	8,998,065	10,987,674	10,074,215	8,589,126	8,684,283
Total general fund	<u>\$ 4,768,030</u>	<u>\$ 5,656,513</u>	<u>\$ 5,085,727</u>	<u>\$ 6,266,500</u>	<u>\$ 6,945,073</u>	<u>\$ 9,019,462</u>	<u>\$ 10,997,377</u>	<u>\$ 10,089,390</u>	<u>\$ 8,604,759</u>	<u>\$ 8,728,529</u>
All Other Governmental Funds										
Reserved for:										
Encumbrances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt service	1,086,707	770,346	1,320,779	1,565,767	1,869,819	2,247,411	2,567,391	2,478,579	2,770,867	2,684,279
Special revenue funds	82,815	96,244	103,428	109,142	100,380	107,629	325,955	337,815	370,475	320,673
Unreserved, reported in:										
Capital projects funds	12,180,411	7,721,163	5,997,688	6,292,967	10,755,279	8,503,424	12,803,008	6,844,251	3,999,448	4,558,703
Other nonmajor governmental funds	-	-	-	-	-	-	-	-	-	(25,212)
Total all other governmental funds	<u>\$ 13,349,933</u>	<u>\$ 8,587,753</u>	<u>\$ 7,421,895</u>	<u>\$ 7,967,876</u>	<u>\$ 12,725,478</u>	<u>\$ 10,858,464</u>	<u>\$ 15,696,354</u>	<u>\$ 9,660,645</u>	<u>\$ 7,140,790</u>	<u>\$ 7,538,443</u>

Source: Comprehensive Annual Financial Report

Notes: ^aIncludes encumbrances and prepaid items.

CITY OF MIDLOTHIAN, TEXAS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	2001	2002	2003	2004	2005	2006 ^a	2007	2008	2009	2010
REVENUES										
Taxes	\$ 4,109,027	\$ 4,677,852	\$ 6,978,183	\$ 5,485,443	\$ 6,152,777	\$ 11,627,059	\$ 14,211,139	\$ 13,977,016	\$ 17,705,852	\$ 17,951,928
Licenses, permits and fees	417,621	692,789	499,572	693,207	881,747	887,454	737,964	395,101	229,319	286,907
Charges for services	217,061	226,396	274,782	215,432	744,046	910,509	912,021	718,770	877,759	927,061
Fines & Forfeits	219,279	203,272	292,304	357,601	312,170	519,039	573,937	459,772	433,466	484,477
Contributions and Donations	13	20	1,550	-	-	-	-	-	-	213,367
Receipts from Direct Financing Lease	-	-	-	-	-	-	-	115,000	120,000	125,000
Intergovernmental	461,419	486,595	372,507	616,495	1,330,408	1,871,514	1,352,749	1,738,304	1,869,239	4,169,681
Interest earned	655,801	345,787	212,884	203,510	535,154	1,105,733	1,179,698	857,620	252,125	78,442
Miscellaneous	279,533	568,886	673,753	642,332	290,056	182,927	492,867	935,763	495,397	525,044
Total revenues	6,359,754	7,201,597	9,305,535	8,214,020	10,246,358	17,104,235	19,460,375	19,197,346	21,983,157	24,761,907
EXPENDITURES										
General government	2,455,890	1,930,849	1,910,145	2,372,177	3,000,538	3,044,284	3,940,200	4,665,749	4,199,227	4,489,943
Public safety	2,578,457	3,037,777	3,199,679	3,566,219	4,229,325	4,638,950	5,429,149	6,309,800	7,457,327	7,791,388
Public works	1,342,983	1,353,522	1,604,259	1,469,264	1,551,767	2,180,812	2,088,928	2,489,213	2,079,831	1,785,574
Culture and recreation	417,690	479,982	444,709	627,132	581,720	681,368	691,615	920,895	836,696	687,663
Intergovernmental-TIRZ	276,522	785,879	957,491	844,865	1,046,767	989,353	1,074,038	1,323,730	2,144,505	2,379,198
Environmental Control	-	-	-	-	-	-	-	-	-	-
Bond Issuance Cost	4,757	2,697	49,403	66,078	3,722	235,671	71,366	6,067	44,450	110,367
Capital outlay	4,511,575	4,501,282	8,084,596	3,092,413	5,939,748	11,025,921	4,637,286	6,768,755	2,915,850	1,462,712
Debt service										
Principal retirement	1,561,649	802,881	857,329	917,277	871,726	1,308,608	1,626,391	2,144,038	2,298,426	2,411,915
Interest and fiscal charges	2,085,599	1,164,529	1,119,065	1,317,511	1,521,234	1,923,885	2,017,176	2,429,151	2,230,011	2,104,360
Total expenditures	15,235,122	14,059,398	18,226,676	14,272,936	18,746,547	26,028,852	21,576,149	27,057,398	24,206,323	23,223,120
Excess (deficiency) of revenues over (under) expenditures	(8,875,368)	(6,857,801)	(8,921,141)	(6,058,916)	(8,500,189)	(8,924,617)	(2,115,774)	(7,860,052)	(2,223,166)	1,538,787
OTHER FINANCING SOURCES (USES)										
Proceeds from refunding bonds	-	-	-	-	-	-	-	-	750,526	5,387,729
Proceeds from sales of bonds	8,486,365	-	5,715,000	3,773,390	9,850,000	15,071,172	8,550,000	-	-	-
Proceeds from capital lease obligation	-	-	43,304	19,471	54,536	112,880	25,880	142,142	199,203	140,070
Direct Financing lease receipts	-	-	-	-	-	318,875	11,415	-	-	-
Bond Premium	-	-	-	-	-	-	-	-	8,534	285,835
Bond Discount	-	-	-	-	-	-	-	-	(6,518)	(36,981)
Payment to refund bond escrow agent	-	-	-	(921,066)	-	(6,380,813)	-	-	(743,169)	(5,540,415)
Operating transfer from component units	160,000	50,000	-	-	-	-	-	-	-	-
Operating transfer to component units	-	(175,000)	-	-	-	-	-	-	-	-
Transfer from other funds	1,265,970	87,500	590,000	425,544	335,686	522,084	716,902	1,358,577	848,347	1,586,467
Transfer to other funds	(1,314,408)	(523,787)	(915,199)	(393,583)	(448,365)	(512,206)	(372,618)	(584,363)	(2,838,243)	(2,840,069)
Total other financing sources (uses)	8,597,927	(561,287)	5,433,105	2,903,756	9,791,857	9,131,992	8,931,579	916,356	(1,781,320)	(1,017,364)
NET CHANGE IN FUND BALANCES	\$ (277,441)	\$ (7,419,088)	\$ (3,488,036)	\$ (3,155,160)	\$ 1,291,668	\$ 207,375	\$ 6,815,805	\$ (6,943,696)	\$ (4,004,486)	\$ 521,423
Debt service as a percentage of noncapital expenditures	34.0%	20.6%	21.1%	20.4%	19.4%	23.0%	22.0%	24.1%	21.6%	22.6%
Source: Comprehensive Annual Financial Report										

^a in 2005 the Water District dissolved. Starting in 2006 all taxes now collected by General Fund Debt Service

CITY OF MIDLOTHIAN, TEXAS
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(UNAUDITED)

Table 5

Fiscal Year	Estimated Market Value		Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
	Real Property	Personal Property			
2001	879,443,640	347,151,800	392,715,263	833,880,177	0.60766
2002	1,243,173,905	396,947,220	499,270,114	1,140,851,011	0.60762
2003	1,386,928,462	437,807,190	550,777,744	1,273,957,908	0.60533
2004	1,400,306,610	460,850,740	536,546,235	1,324,611,115	0.60602
2005	1,449,637,720	463,658,590	473,337,823	1,439,958,487	0.61824
2006	1,563,349,716	616,712,240	627,529,493	1,552,532,463	0.64038
2007	1,704,765,500	610,941,850	619,329,261	1,696,378,089	0.65795
2008	1,873,065,203	562,522,730	514,296,067	1,921,291,866	0.65000
2009	1,943,973,277	607,559,635	487,676,537	2,063,856,375	0.65000
2010	1,980,290,467	596,026,014	454,116,284	2,122,200,197	0.65000

Source: City of Midlothian Budget Document
Ellis Central Appraisal District

**CITY OF MIDLOTHIAN, TEXAS
DIRECT AND OVERLAPPING PROPERTY TAX RATES
(PER \$100 OF ASSESSED VALUE)
LAST TEN FISCAL YEARS
(UNAUDITED)**

Table 6

Fiscal Year	City Direct Rates			Overlapping Rates			
	Operating/ General Rate	General obligation Debt Service	Total Direct	Midlothian Independent School District	Midlothian Water District ^a	Ellis County	Waxahchie School District
2001	0.148960	0.147080	0.296040	1.709701	0.194156	0.365190	1.546700
2002	0.183960	0.229500	0.413460	1.720000	0.194156	0.302020	1.680000
2003	0.204774	0.206360	0.411134	1.720000	0.194156	0.351420	1.710000
2004	0.204774	0.207043	0.411817	1.720000	0.194156	0.360000	1.639000
2005	0.226171	0.197869	0.424040	1.764540	0.194156	0.349990	1.716500
2006	0.242082	0.398302	0.640384	1.787500	-	0.349990	1.720800
2007	0.248030	0.409916	0.657946	1.697500	-	0.349500	1.597300
2008	0.255493	0.394507	0.650000	1.367500	-	0.364598	1.360000
2009	0.256247	0.393753	0.650000	1.407500	-	0.393599	1.360000
2010	0.279300	0.370700	0.650000	1.397500	-	0.393599	1.360000

Source: Ellis Central Appraisal District
City of Midlothian

^aWater District dissolved 2005
web site elliscad.org

**CITY OF MIDLOTHIAN, TEXAS
PRINCIPAL PROPERTY TAX PAYERS LESS T.I.R.Z. TAXABLE REAL PROPERTY
SEPTEMBER 30, 2009
(UNAUDITED)**

Table 7

2010			2001		
Taxpayer	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value ^a	Taxpayer	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value ^b
Gerdau Ameristeel	\$ 187,359,621 ^c	11.14%	Chaparral Steel Co.	\$ 144,575,068	20.52%
Holcim (US) Inc.	165,359,081 ^c	9.83%	Holnam Texas LTD Partnership	139,407,348	19.79
TXI Operations LP	98,172,061 ^c	5.84%	TXI Operations LP	48,569,520	6.89
Target Corporation	41,428,498	2.46%	North Texas Cement Co.	32,791,394	4.65
Ash Grove/North Texas Cement	38,880,258	2.31%	Chaparral Steel Midlothian LP	18,246,880	2.59
Midlothian Energy Limited	38,855,805 ^c	2.31%	Midlothian Energy Limited PA	13,671,125	1.94
Wal-Mart Real Estate	23,927,000 ^c	1.42%	Nissan North America Inc	11,157,554	1.58
Giraffe Properties LLC (Toys R Us)	19,634,898 ^c	1.17%	Air Products & Chemicals Inc	10,432,110	1.48
Oncor Electric Delivery Co.	10,905,380	0.65%	TXU Electric Co	665,840	0.09
Texas Properties Trust	7,398,910	0.44%	PR Associates	5,745,560	0.82
Top Ten Tax Payers Total	\$ 631,921,512	37.58%	Top Ten Tax Payers Total	\$ 425,262,399	60.39%
All Other Tax Payers	\$ 1,050,083,181	62.42%	All Other Tax Payers	\$ 279,177,095	39.61%
Total Assessed Valuation	\$ 1,682,004,693	100.00%	Total Assessed Valuation	\$ 704,439,494	100.00%

Source: Budget Document/ Ellis Central Appraisal Office

Notes: ^aTaxpayers are assessed on January 1, 2009 (2009 tax year) for the 2010 fiscal year.

^bTaxpayers are assessed on January 1, 2000 (2000 tax year) for the 2001 fiscal year; These values *do not* include the TIRZ .

^cExcludes the property located in the TIRZ (Tax Increment Reinvestment Zone) in the amount of \$423,396,240

**CITY OF MIDLOTHIAN, TEXAS
AD VALOREM TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(UNAUDITED)**

Table 8

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Delinquent Tax Collections	Total Collections	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2001	2,531,057	2,477,651	97.89	(10,787) ^(a)	2,472,489	97.69
2002	4,688,007	4,603,897	98.21	176	4,604,073	98.21
2003	5,283,298	5,193,173	98.29	144	5,193,317	98.30
2004	5,527,596	5,427,251	98.18	571	5,427,822	98.19
2005	6,124,433	6,018,147	98.26	(23,369) ^(a)	5,994,778	97.88
2006	10,031,494	9,831,623	98.01	(35,091) ^(a)	9,796,532	97.66
2007	11,227,884	11,095,266	98.82	(33,851) ^(a)	11,061,415	98.52
2008	12,548,917	12,434,029	99.08	(29,038) ^(a)	12,404,991	98.85
2009	13,251,643	13,165,810	99.35	8,686	13,174,496	99.42
2010	13,716,728	13,614,010	99.25	-	13,614,010	99.25

Source: Ellis County Tax Assessor

^(a) tax refund resulted in a negative balance for delinquent tax years.

**CITY OF MIDLOTHIAN, TEXAS
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(UNAUDITED)**

TABLE 9

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Certificates of Obligation	Other Obligations	Water and Sewer Revenue Bonds	General Obligation Bonds ^b	Certificates of Obligation			
2000	9,666,426	2,957,469	480,000	-	31,523,496	9,791,372	54,418,763	38.27%	7,114
2001	16,419,382	4,377,865	370,000	6,100,000	32,098,496	9,310,978	68,676,721	44.19%	8,479
2002	15,913,529	4,195,918	255,000	7,435,000	31,881,400	6,883,630	66,564,477	40.58%	7,180
2003	21,092,041	4,000,075	130,000	12,270,165	31,787,882	7,188,785	76,468,948	38.25%	7,180
2004	24,333,479	2,488,148	-	12,020,000	33,716,444	6,480,774	79,038,845	29.16%	6,519
2005	28,680,444	7,119,458	-	17,685,000	32,869,480	6,000,542	92,354,924	27.58%	7,330
2006	36,585,117	6,148,407	750,000	17,325,000	33,049,809	5,691,594	99,549,927	27.37%	7,485
2007	43,863,700	5,888,432	655,000	17,435,000	31,091,224	5,366,569	104,299,925	23.58%	7,171
2008	42,094,359	5,613,734	555,000	41,860,000	29,265,563	5,021,267	124,409,923	34.00%	9,048
2009	40,940,080	4,595,000	450,000	40,325,000	29,724,839	2,350,000	118,384,919	29.00%	8,136
2010	39,906,865	3,415,000	345,000	38,635,000	27,448,050	2,225,000	111,974,915	26.84%	6,529

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

^a See Table 13 for personal income and population data.

^b Although Water District bonds are paid from Ad-valorem taxes, the debt is considered a part of the Enterprise Fund

Source: Note 6 Basic Financial Statements

**CITY OF MIDLOTHIAN, TEXAS
RATIO OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(UNAUDITED)**

Table 10

General Bonded Debt Outstanding					
Fiscal Year	General Obligation Bonds	Certificates of Obligation	Total	Percentage of Actual Taxable Value of Property ^a	Per Capita ^b
2001	15,913,529	4,195,918	20,109,447	2.41%	2,483
2002	21,092,041	4,000,075	25,092,116	2.20%	2,935
2003	24,333,479	2,488,148	26,821,627	2.11%	2,518
2004	28,680,444	7,119,458	35,799,902	2.70%	2,953
2005	36,585,117	6,148,407	42,733,524	2.97%	3,392
2006	43,863,700	5,888,432	49,752,132	3.20%	3,741
2007	43,863,700	5,888,432	49,752,132	2.93%	3,618
2008	42,094,359	5,613,734	47,708,093	2.48%	3,279
2009	40,940,080	4,595,000	45,535,080	2.21%	2,802
2010	39,906,865	3,415,000	43,321,865	2.04%	2,526

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

^aSee Table 5 for property value data.

^bSee Table 13 for population data.

**CITY OF MIDLOTHIAN, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF SEPTEMBER 30, 2010
(UNAUDITED)**

Table 11

<u>Governmental Unit</u>	<u>Gross Bonded Debt</u>	<u>Percentage of Total Debt</u>	<u>Midlothian Share of Overlapping Debt</u>
Debt repaid with property taxes			
Midlothian I.S.D.	\$ 164,596,800	65.02%	\$ 107,020,839
Ellis County	120,712,576	1.87%	2,257,326
Waxahachie I.S.D.	<u>62,646,262</u>	16.21%	<u>10,154,959</u>
Subtotal, overlapping debt	<u>\$ 347,955,638</u>		<u>119,433,124</u>
City of Midlothian (direct debt)			<u>73,239,929</u>
Total direct and overlapping debt			<u><u>\$ 192,673,053</u></u>

Source: Debt outstanding data provided by City Budget, School District & County

**CITY OF MIDLOTHIAN, TEXAS
PLEGDED-REVENUE COVERAGE
LAST TEN FISCAL YEARS
(UNAUDITED)**

Table 12

Fiscal Year	Water and Sewer System Revenue Bonds				
	Total Revenues ^a	Less: Operating Expenses ^b	Net Available Revenue	Annual Requirement ^c	Times Coverage
2001	4,760,426	2,704,136	2,056,290	219,815	9.35
2002	5,227,655	2,675,931	2,551,724	494,723	5.16
2003	5,924,230	2,959,068	2,965,162	546,974	5.42
2004	6,743,732	3,352,752	3,390,980	900,508	3.77
2005	7,496,544	5,033,875	2,462,669	1,278,123	1.93
2006	9,338,500	5,841,268	3,497,232	1,301,963	2.69
2007	8,916,893	5,496,078	3,420,815	1,381,309	2.48
2008	9,337,572	6,304,330	3,033,242	1,411,655	2.15
2009	9,175,663	5,053,781	4,121,882	2,265,173	1.82
2010	8,978,715	5,772,597	3,206,118	2,448,089	1.31

Data Source: Current and prior year combined financial statements.

Notes:
^aIncludes operating revenues plus investment income from operating account.
^bIncludes operating expenses minus depreciation plus transfers out.
^cIncludes only debt required to be paid from system revenues

**CITY OF MIDLOTHIAN, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS
(UNAUDITED)**

Table 13

Year	Estimated Population ^a	Personal Income	Average Household Income ^b	School Enrollment ^c	Unemployment Rate ^d
2001	8,100	155,416,320	47,968	4,651	4.60
2002	8,550	164,050,560	47,968	5,055	5.70
2003	10,650	199,904,760	46,926	5,380	6.40
2004	12,125	271,013,150	55,879	5,642	5.30
2005	12,600	334,812,240	66,431	6,094	5.10
2006	13,300	363,659,240	68,357	6,499	4.30
2007	13,750	418,027,500	76,005	6,837	3.95
2008	14,550	363,342,600	62,430	7,087	5.30
2009	16,250	405,132,000	62,328	7,281	8.60
2010	17,150	417,070,377	76,851	7,556	8.20

Source: ^a dfwinfo.com
^b Midlothian Economic Development Corporation
^c Midlothian Independent School District
^d North Central Texas Workforce

**CITY OF MIDLOTHIAN, TEXAS
PRINCIPAL EMPLOYERS
CURRENT AND NINE YEARS AGO
(UNAUDITED)**

Table 14

2010			2001		
Employer	Employees	Percentage of Total City Employment	Employer	Employees	Percentage of Total City Employment
Midlothian ISD	933	10.26%	Chaparral Steel Company	1,200	28.07%
Gerdau Ameristeel	832	9.15%	Texas Industries, Inc.	230	5.38%
Target Corporation	600	6.60%	Holnam Texas Limited Partnership	145	3.39%
Wal-Mart	400	4.40%	North Texas Cement Company	132	3.09%
Toys 'R' Us	300	3.30%	Mazda Motors of America, Inc.	100	2.34%
City of Midlothian	197	2.17%	Niagara LaSalle Corporation	80	1.87%
Texas Industries	174	1.91%	Air Products & Chemicals, Inc.	33	0.77%
Holcim	170	1.87%	Nissan Motor Corporation	25	0.58%
Navarro College Branch Campus	80	0.88%			-
Mid Texas International	75	0.82%			-
Total	3,761	41.36%		1,945	45.50%
Total Midlothian Daytime Employees 9,094			Total Midlothian Daytime Employees 4,275		

Source: Information provided by Midlothian Economic Development Corporation

**CITY OF MIDLOTHIAN, TEXAS
 FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS
 (UNAUDITED)**

Table 15

<u>Function/Program</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Government and Administration	17	19	19	20	18.5	19	20.5	25	21.5	21.75
Public Safety	43	49	49	54	60.5	64.5	66.5	79	91.5	93.25
Public Works	10	10	13	15	14.5	16	16	18	17	16
Culture and Recreational	5	5	7.5	7	6	6.5	7.5	8.5	7	6.75
Water and Sewer	20	25	25.5	26	23	22.5	25.5	28.5	30	29.25
<i>Other Component Units:</i>										
Economic Development	2	2	2	2	2	2	2.5	2.5	2.5	2.5
Senior Citizens	-	-	2	2	2	2	2.5	2.5	3.5	3.5
Conference Center	-	-	-	2	2	2	3	3	2	3
Total	97	110	118	125.5	128.5	134.5	144	167	175	176

Source: City Payroll Dept.

**CITY OF MIDLOTHIAN, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(UNAUDITED)**

Table 16

<u>Function/Program</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Public Safety										
Police & Animal Control										
Number of Employees (b)	29.50	29.50	30.50	31.50	33	33	39	42	40.75	38
Number of Violations (Citations)	3,087	2,510	4,200	4,284	3,439	5,401	6,465	4,507	4,408	5,703
Fire										
Number of Employees (b)	12	18	18	21	27	31	31	37	43	49
Number of Fire runs	385	403	449	642	893	1,117	1,001	911	703	663
Number of EMS runs	736	835	1,308	1,468	1,456	1,605	1,725	1,461	1,821	1,908
Development Services										
Streets constructed (miles)	14.40	55.60	14.94	13.68	9.61	6.63	3.82	2.404	0.2714	0.5
# of Plats	70	45	64	46	43	62	48	28	7	14
Acreage Re-Zoned	1,262.11	729.92	266.13	812.12	475.34	937.26	1,731.00	573.91	92.09	0.5
Building Permits Issued	312	458	349	519	506	587	286	287	131	189
Cultural and Recreational										
Parks and Recreation										
Parks Maintained	8	8	10	10	10	10	11	11	11	11
Park maintain & operate per acre	89.00	89.00	89.00	89.00	89.00	89.00	99.00	260.00	301	457
Participants in Leisure Svc Programs	1,953	2,129	2,913	3,293	3,511	3,532	3,586	3,240	3,055	3,135
Library										
Volumes in Collection	^c n/a	n/a	n/a	n/a	18,793	20,618	28,339	32,425	34,970	38,068
Water										
Number of Water Consumers	2,680	2,956	3,241	3,431	3,611	3,820	4,050	3,888	3,937	4,076
Annual Water Consumption (gallons)	1,262,789,550	1,241,814,250	1,210,224,891	1,416,395,163	1,493,991,022	1,698,687,642	1,469,295,721	1,635,380,000	1,678,800,000	1,716,249,897
Maximum Storage Capacity (million gal.)	5	5	5	5	7	7	7	7	7	7
Wastewater										
Number of Sewer Consumers	2,582	2,923	3,184	3,494	3,819	4,219	4,599	4,619	4,647	4,766
Wastewater Treated Annally (gallons)	273,656,000	330,211,000	349,036,000	363,070,000	408,240,000	373,680,000	497,337,000	460,236,000	478,200,000	607,092,000

Source: City Departments

Notes: ^b Full-Time Equivalent

^c City/School Librarian

CITY OF MIDLOTHIAN, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(UNAUDITED)

Table 17

Function/Program	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Public Safety										
Police Stations	1	1	1	1	1	1	1	1	1	1
Police Patrol Units	3	3	4	6	6	6	8	8	7	10
Police Motorcycle Units	-	-	2	2	2	2	2	2	1	0
School Resource Officer Units	-	-	-	-	-	-	-	-	2	2
Sergeant Units	-	-	-	-	-	-	-	-	1	3
Fire Stations	1	1	1	1	1	2	2	3	3	3
Medic Units	3	3	3	3	3	3	3	4	4	4
Development Services										
Streets-Paved (miles)	65	79	101	105	111	114	116	121	133	133
Cultural and Recreational										
Parks-Developed (acres)	89	89	89	89	89	89	89	95	95	95
Parks-Undeveloped (acres)	-	-	-	-	-	-	-	-	155	362
Playgrounds	4	4	4	5	5	5	5	10	10	10
Softball/Baseball Game Fields	9	9	9	9	9	9	9	9	9	9
Softball/Baseball Practice Fields	3	3	3	3	3	3	3	4	4	4
Basketball Half Courts	-	-	-	-	-	-	-	3	3	3
Irrigated Soccer fields	12	12	12	12	12	12	12	12	12	12
Tennis Courts	8	8	8	8	8	8	8	8	8	8
Volleyball Courts	2	2	2	2	2	2	2	2	4	4
Senior Center	1	1	1	1	1	1	1	1	1	1
Water and Sewer										
Water Mains (miles)	n/a	n/a	100.00	101.91	103.40	107.27	111.00	180.00	181.00	182.00
Fire Hydrants	-	-	500	600	700	759	914	951	955	969
Sanitary Sewers (miles)	n/a	n/a	90.00	98.39	100.53	117.35	120.95	125.00	125.83	125.83

Source: City Departments