

CITY OF MIDLOTHIAN, TEXAS

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR THE YEAR ENDED
SEPTEMBER 30, 2012**

As Prepared By:

Finance Department

City of Midlothian, Texas

**CITY OF MIDLOTHIAN, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED SEPTEMBER 30, 2012**

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INTRODUCTORY SECTION



February 25, 2013

*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, 2012.

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, 2012 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, 2012, 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 50.64 square miles, with an estimated

population of 18,750. 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 has a Financial Policy that was revised and adopted by Council in 2012. This policy had no significant impact on the 2011-2012 Financial Statement.

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 Midlothian Economic Development (MED), the Midlothian Community Development Corporation (MCDC) and the Midlothian Development Authority (MDA). The MED 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 individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, Conference Center fund, and the Midtowne PID fund, this comparison is presented on pages 67-69 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 \$80,189.

The City is 44% developed with a projected 2013 growth rate of 2.40%. 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 and Tarleton State 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 313.47 acres of undeveloped park land, and 143.92 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 are 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 2012, building permits were approved for 161 single-family homes with an estimated average value of \$194,907. There are currently 2,599 platted residential lots in active subdivisions with 400 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 annually, with the most recent City Council- approved update in May, 2011. The five-year plan for revenue is projected based on population estimates, along with housing and business growth. Annual population growth has averaged approximately 7.76% for the past five years. Sales tax increased by 8.01% during the current year, and the economic conditions are 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 unassigned fund balance is \$10,336,363; of that amount a 90 day reserve of \$3,983,645 is maintained. Within the FY 2012-2013 Budget, Council approved the use of unreserved funds in the amount of \$392,677 for prior year encumbrances, 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. However, debt was not issued from the 2006 bond package between 2008 and 2012 due to economic conditions. Since the economy has shown improvement recently the City plans to issue GO debt and short term tax notes during the 12-13 budget year, along with a GO refunding. 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 March 2013.

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, 2011. This was the seventh 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, 2011. 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, City Manager

*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, 2011

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.



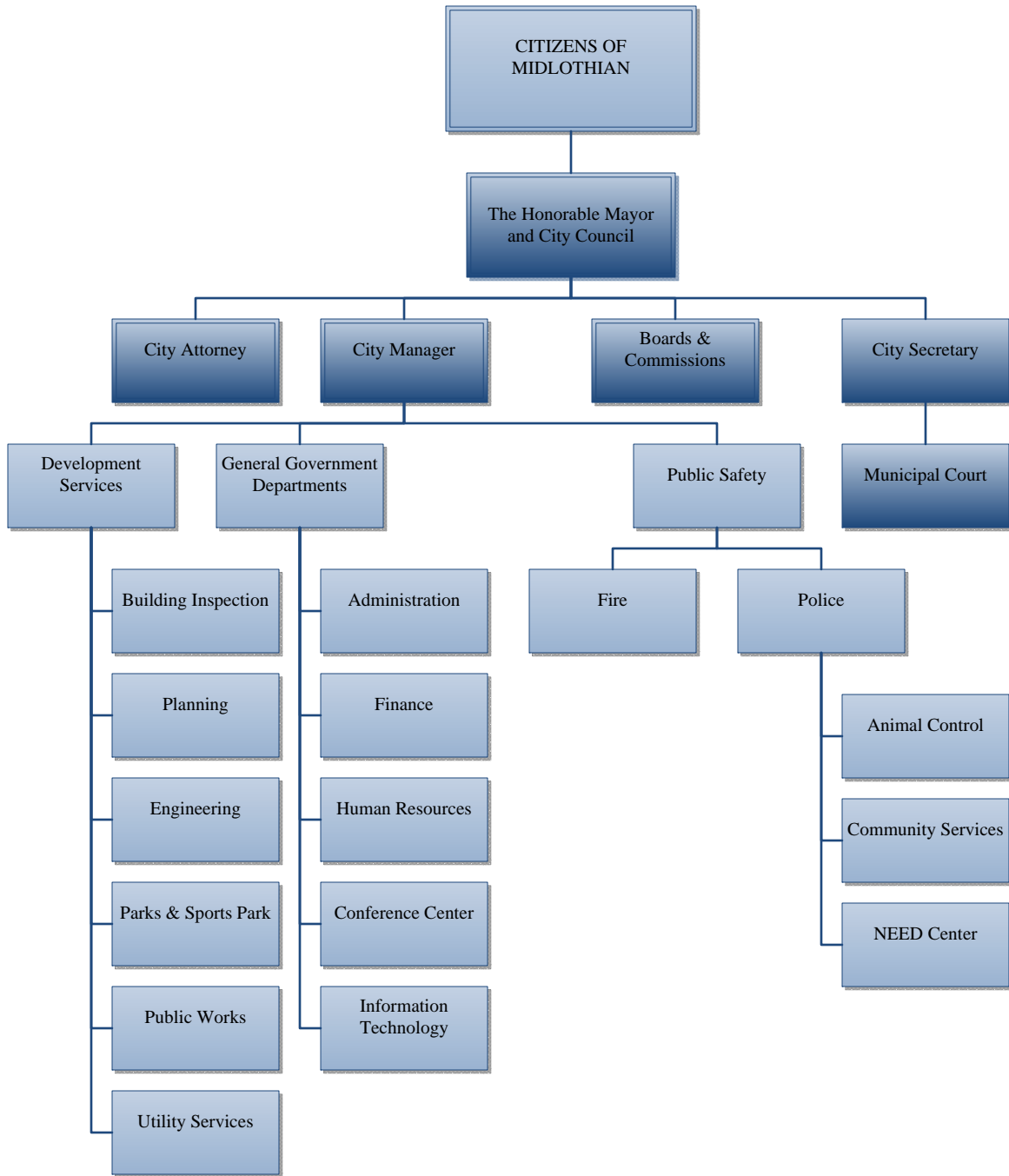
Christopher P. Maxwell

President

Jeffrey R. Enos

Executive Director

City of Midlothian, Texas



Created by
City Charter

CITY OF MIDLOTHIAN, TEXAS

PRINCIPAL OFFICERS

SEPTEMBER 30, 2012

MAYOR

Bill Houston

MAYOR PRO-TEM

Joe Frizzell

CITY COUNCIL

**Wayne Sibley
T. J. Henley
Jason Kyle
Ted Miller
Mike Rodgers**

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 aggregate discretely presented component units, and the aggregate remaining fund information of the City of Midlothian, Texas (the City) as of and for the year ended September 30, 2012, 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 the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the City of Midlothian, Texas as of September 30, 2012, and the respective changes in financial position and, where applicable, the cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued our report dated February 25, 2013, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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.

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

Accounting principles generally accepted in the United States of America require that the required supplementary information, comprised of 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) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining statements and nonmajor budgetary comparison schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements of the City. The combining statements and nonmajor budgetary comparison schedules are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
February 25, 2013

CITY OF MIDLOTHIAN, TEXAS

Management's Discussion and Analysis For The Year Ended September 30, 2012 (Unaudited)

As management of the City of Midlothian (the City), 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, 2012.

FINANCIAL HIGHLIGHTS

- The assets of the City of Midlothian exceeded its liabilities at the close of the most recent fiscal year by \$158,761,762 (net assets). Of this amount, \$39,773,350 (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 \$3,023,662 for the current fiscal year which resulted primarily from activity in the City's water and sewer fund.
- As of the close of the current fiscal year, the City of Midlothian's governmental funds reported combined ending fund balances of \$13,147,693. Seventy-nine percent (79%) of this total amount or \$10,336,363 is unassigned and available for use within the City's designation and policies.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$10,336,363 or 67% of the total general fund expenditures.
- The City's long-term debt decreased \$3,631,276 or 8%, primarily due from the annual principal payment and no additional debt was issued. During the 11-12 Fiscal year, the City paid \$1,297,010 for a refund from a property tax appeal case.

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, 2012
(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, 2012
 (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 \$158,761,762 as of September 30, 2012.

The largest portion of the City's net assets \$108,039,326 (68%) 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 from developer contribution for infrastructure (\$1,234,208). The capital assets for the Enterprise fund increased \$8,574,842 due primarily to construction of the 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 \$8,103,065; in the Governmental activities this decrease was due primarily from a reduction in receivables. Long-term liabilities decreased by \$7,285,589 for the Fiscal year ended 11-12 from principal debt payments.

An additional portion of the City's net assets (6.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance is unrestricted net assets (\$39,773,350), which may be used to meet the government's ongoing obligations to citizens and creditors.

As of September 30, 2012, 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, 2012.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2012	2011	2012	2011	2012	2011
Current and other Assets	\$ 42,503,315	\$ 42,601,976	\$ 35,745,453	\$ 41,991,847	\$ 78,248,768	\$ 84,593,823
Capital Assets	93,534,001	96,745,036	98,443,911	89,869,069	191,977,912	186,614,105
Total Assets	136,037,316	139,347,012	134,189,364	131,860,916	270,226,680	271,207,928
Long Term Liabilities	39,794,517	43,425,793	63,313,359	66,967,672	103,107,876	110,393,465
Other Liabilities	4,025,725	3,389,636	4,331,317	1,686,727	8,357,042	5,076,363
Total Liabilities	43,820,242	46,815,429	67,644,676	68,654,399	111,464,918	115,469,828
Invested in Capital Assets, net of related debt	55,412,057	55,677,252	52,627,269	45,542,790	108,039,326	101,220,042
Restricted for:					-	-
Debt Service	6,140,580	6,907,446	2,231,989	2,269,720	8,372,569	9,177,166
Capital Improvements	-	-	2,372,475	2,280,663	2,372,475	2,280,663
Other	204,042	211,911	-	-	204,042	211,911
Unrestricted	30,460,395	29,734,974	9,312,955	13,113,344	39,773,350	42,848,318
Net Assets	\$92,217,074	\$92,531,583	\$66,544,688	\$63,206,517	\$158,761,762	\$155,738,100

CITY OF MIDLOTHIAN, TEXAS

Management's Discussion and Analysis
 For The Year Ended September 30, 2012
 (Unaudited)

The following table provides a summary of the City's operations for the year ended September 30, 2012.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
Program Revenues:	2012	2011	2012	2011	2012	2011
Fees, fines and charges for services	\$ 3,617,412	\$ 6,978,813	\$ 9,905,551	\$ 10,009,247	\$ 13,522,963	\$ 16,988,060
Operating Grants and Contributions	2,489,036	11,858,703	-	-	2,489,036	11,858,703
Capital Grants and Contributions	1,022,347	315,977	1,880,524	1,765,426	2,902,871	2,081,403
General Revenues:						
Ad Valorem Taxes	12,354,737	13,800,154	-	-	12,354,737	13,800,154
Other Taxes	22,664	22,152	-	-	22,664	22,152
Franchise Taxes	2,758,118	2,593,348	-	-	2,758,118	2,593,348
Sales Tax	2,188,151	2,012,964	-	-	2,188,151	2,012,964
Investment Earnings	86,436	66,285	55,528	66,903	141,964	133,188
Penalties & Interest	52,892	64,171	-	-	52,892	64,171
Miscellaneous	428,054	390,110	-	-	428,054	390,110
Total Revenues	25,019,847	38,102,677	11,841,603	11,841,576	36,861,450	49,944,253
Expenses:						
General Government	5,109,557	6,686,308	-	-	5,109,557	6,686,308
Public Safety	8,600,408	8,175,835	-	-	8,600,408	8,175,835
Public Works	8,030,838	6,562,699	-	-	8,030,838	6,562,699
Cultural and Recreation	1,136,625	940,144	-	-	1,136,625	940,144
Interest on Long Term Debt	1,798,231	1,930,825	-	-	1,798,231	1,930,825
Water and Sewer	-	-	9,162,129	9,561,867	9,162,129	9,561,867
Total Expenses	24,675,659	24,295,811	9,162,129	9,561,867	33,837,788	33,857,678
Increases in net assets before transfers	344,188	13,806,866	2,679,474	2,279,709	3,023,662	16,086,575
Transfers	(658,697)	(1,633,380)	658,697	1,633,380	-	-
Change in Net Assets	(314,509)	12,173,486	3,338,171	3,913,089	3,023,662	16,086,575
Net Assets-Oct. 1	92,531,583	80,358,097	63,206,517	59,293,428	155,738,100	139,651,525
Net Assets-Sept. 30	\$ 92,217,074	\$ 92,531,583	\$ 66,544,688	\$ 63,206,517	\$ 158,761,762	\$ 155,738,100

CITY OF MIDLOTHIAN, TEXAS

Management's Discussion and Analysis
For The Year Ended September 30, 2012
(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, unassigned 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 \$13,147,693. Approximately 79% of this total amount (\$10,336,363) constitutes unassigned fund balance. In addition, a fund balance of \$206,876 is assigned for construction/capital projects, and \$250,000 is assigned for a budget deficit in 12-13. The restricted fund balance is \$2,173,892 with 91% of this amount being in the debt service fund. Additional restricted amounts are for police imprest, tourism, court technology and building security, and grants totaling \$204,042. The General fund has a nonspendable amount of \$40,069 for prepaid items. In the nonmajor governmental funds, \$140,493 is committed for historic preservation, beautification, training academy, conference center and for community improvements.

The increase in fund balance for the General Fund is due primarily from a one time license and permit revenue received for an industry expansion project. As a result, revenues for licenses and permits exceeded budget by 413%. In addition, the City received a large contribution (\$298,200) in relation to a land sale. Charges for service, and Other Revenues were also above budget projections.

The difference between the original budget and the final amended budget in the general fund was \$100,929 and is the result of Council approved budget amendments for goods or services.

The fund balance for the Capital Projects Fund decreased by \$2,131,902 (91%) due primarily to a \$1,408,000 contribution to Texas Dept. of Transportation for a frontage road expansion. The City had several street and park improvements, in addition to the frontage road expansion. The projects that were capitalized in 11-12 resulted in \$242,444 in additions.

The General Debt Service fund balance decreased by \$598,327 due to an Ad Valorem tax appeal refund to a local business. The fund balance for the non major governmental funds increased by \$14,392. The Police Imprest fund decreased by \$7,149 from seized funds spent during the year. This fund can be used only by the police department. The Municipal Court fund balance increased by \$21,946. This revenue is from a state mandate requiring a portion of citation revenues be used for court improvements. The Midlothian Restoration fund increased \$591 and the Beautification fund had an increase of \$9,560 for 11-12. The Conference Center fund increased by \$14,674 due from catering and rental fees. The fund balance decreased \$9,641 for Hotel/Motel Tax, a non-major fund used to promote tourism, and the Police Training Academy decreased by \$1,366 from the purchase of furniture. The Grant fund decreased \$13,025 due to spending the funds from an Oncor grant to replace lighting in the police department building. The Midtowne PID fund decreased \$1,198.

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 \$9,312,955. Factors affecting the performance of the fund during the year include decrease in water usage and increase in sewer collections, along with an increase in transfers out for overhead costs.

CITY OF MIDLOTHIAN, TEXAS

Management's Discussion and Analysis
 For The Year Ended September 30, 2012
 (Unaudited)

CAPITAL ASSETS

The City of Midlothian's investment in capital assets for its governmental and business-type activities as of September 30, 2012, amounts to \$191,977,912 (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 3%, (a 3.32% decrease for governmental activities and 9.5% increase in business-type activities.) The decrease in the governmental activities is primarily from depreciation and the sale of land. The increase in the business-type activities is primarily construction in progress related to a new Water Treatment Plant.

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

- Kemp Ranch drainage improvement \$186,874.
- City wide drainage improvement \$107,420.
- Completed park improvement \$25,056.
- Equipment replacement City wide \$733,335.
- Water Treatment Plant \$19,377,108

Additional information on the City of Midlothian's capital assets can be found in Note 5 on pages 41-42 of this report.

	Governmental Activities 2012	Governmental Activities 2011	Business type Activities 2012	Business type Activities 2011	Total 2012	Total 2011
Land	\$ 17,286,822	\$ 17,337,491	\$ 807,351	\$ 630,850	\$ 18,094,173	\$ 17,968,341
Buildings	16,639,287	16,639,287	11,556,642	11,556,642	28,195,929	28,195,929
Equipment	7,832,310	7,169,196	2,332,985	2,201,767	10,165,295	9,370,963
Improvements	17,326,854	17,254,736	-	-	17,326,854	17,254,736
Infrastructure	81,405,117	80,170,909	40,334,228	39,553,332	121,739,345	119,724,241
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	1,013,267	677,151	19,412,809	9,884,684	20,426,076	10,561,835
Accumulated Depreciation	(47,969,656)	(42,503,734)	(24,001,819)	(21,959,921)	(71,971,475)	(64,463,655)
Total	\$ 93,534,001	\$ 96,745,036	\$ 98,443,911	\$ 89,869,069	\$ 191,977,912	\$ 186,614,105

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 \$103,107,876.

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, additional debt has not been issued on this voter approved package since 2007. However, the City is planning an issuance of approximately \$7,800,000 in March 2013. 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 \$5,725,000.

CITY OF MIDLOTHIAN, TEXAS

Management's Discussion and Analysis
 For The Year Ended September 30, 2012
 (Unaudited)

At September 30, 2012, the City's long-term debt consisted of the following:

LONG-TERM DEBT	Governmental 2012	Governmental 2011	Business-type Activities 2012	Business-type Activities 2011	Total 2012	Total 2011
Tax Notes	\$ 120,000	\$ 235,000	\$ -	\$ -	\$ 120,000	\$ 235,000
General Obligation Bonds	35,197,330	37,629,714	22,572,590	25,065,206	57,769,920	62,694,920
Accreted Interest	-	-	4,774,580	4,247,079	4,774,580	4,247,079
Cert. Of Obligation	3,020,000	3,185,000	1,960,000	2,095,000	4,980,000	5,280,000
Revenue Bonds	-	-	35,105,000	36,895,000	35,105,000	36,895,000
Capital Lease Oblig.	163,754	214,162	-	-	163,754	214,162
Claims and judgements	-	1,183,036	-	-	-	1,183,036
Bond Discount/Premium	214,632	238,784	(262,497)	(281,189)	(47,865)	(42,405)
Deferred Refunding	(386,896)	(434,876)	(1,133,451)	(1,297,736)	(1,520,347)	(1,732,612)
Other post employment benefits	619,909	434,402	174,845	122,524	794,754	556,926
Compensated absences	845,788	740,571	122,292	121,788	968,080	862,359
Total	\$ 39,794,517	\$ 43,425,793	\$ 63,313,359	\$ 66,967,672	\$ 103,107,876	\$ 110,393,465

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 2012-13 fiscal year, General Fund revenues and transfers in from other funds are budgeted to increase by 12% from the 2011-12 budgeted amounts, with property taxes making up about 53% of General Fund budgeted revenues. Total ad valorem tax revenues are projected to increase 7% over the preceding year. Sales tax revenue is forecasted to increase in fiscal year 2012-13 by 13% as compared to the 11-12 budgeted amount. The City has budgeted for a 4% increase in electric franchise tax based on an increase in production by one of the City's principal employers, and a 26% budget increase in gas franchise tax, and 44% increase for health permits in FY 2011-12. The City Council has approved a waiver of various impact fees to attract development. The Federal Open Market Committee has stated it's intent to keep rates low, thus the City budgeted for a 0% change in interest earnings for 12-13. At the present time, the development services department reports growth for the 12-13 budget year, and the City expects improvement with a 38% increase in building permit revenues. There are twenty-five subdivisions with available lots for sale, and all are actively building at this time. The voter approved bond referendum of May 2006 has been delayed since 2007. However, the City plans to issue approximately \$7,800,000 in General Obligation debt in March 2013 to fund a major road improvement and the first phase of a community park. In addition the City issued \$6,925,000 in General Obligation Refunding Bonds and \$2,100,000 in Tax Notes in November 2012. The Tax Notes were for the purchase of new fire equipment and park improvements. The City Council authorized the use of (unassigned) fund balance in the amount of \$250,000 in 2012-13 for the purchase of capital equipment. In addition, the City continues to maintain over 180 days in fund balance which is in excess of the 90 day reserve as required in the Finance policy. Certified tax values for 2012-13 are \$2,013,954,034 less \$429,064,514 captured by the Tax Increment Reinvestment Zone. The net increase in taxable value is approximately 2.98%. The tax rate for 2012-13 is \$0.65 per \$100 valuation, which did not change from the overall 11-12 tax rate. The City Of Midlothian has maintained the same overall tax rate for the past six budget years.

CITY OF MIDLOTHIAN, TEXAS

Management's Discussion and Analysis
For The Year Ended September 30, 2012
(Unaudited)

The Utility Services Fund is funded by water/wastewater fees and other utility services. The Utility Fund saw a small increase in utility revenues for the 2012 fiscal year as compared to fiscal year 2011. This is attributed to the growth during 2012. 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 #1 and #2 is budgeted to account for 23% of the Utility Fund expenditures, wastewater 05%, and support services 62%. Debt was issued in 2008 for a second water treatment plant and construction began in 2009 with an anticipated completion date of 2013. The water operations department maintains and repairs over 100 miles of water main lines, however only accounts for 5% of the utility expenses. The 12-13 budget year expenditures have been adjusted to add the additional costs for water treatment plant 2. Revenues are budgeted to have a ten percent increase due to growth; 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, 2012

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 6,289,120	\$ 6,033,329	\$ 12,322,449	\$ 28,617,310
Investments	7,557,260	6,090,927	13,648,187	1,987,677
Receivables				
Taxes, net of allowance	71,789	-	71,789	-
Accounts, net of allowance	1,428,782	1,223,275	2,652,057	1,667,930
Other	-	77,656	77,656	-
Due from other governments	10,711,938	-	10,711,938	378,830
Internal balances	(1,693)	1,693	-	-
Commitment receivable	400,000	-	400,000	-
Direct financing lease	5,658,010	-	5,658,010	-
Note receivable	1,423,525	-	1,423,525	-
Due from component units	17,605	-	17,605	-
Prepaid items	40,069	-	40,069	-
Restricted assets				
Cash and cash equivalents	-	8,088,364	8,088,364	5,346,300
Investments	-	245,510	245,510	-
Bond proceeds receivable	-	12,425,000	12,425,000	-
Deferred charges	377,083	1,559,699	1,936,782	2,017,629
Investment in joint venture	8,529,827	-	8,529,827	-
Capital assets				
Land	17,286,822	807,351	18,094,173	26,095
Buildings	16,639,287	11,556,642	28,195,929	7,540
Improvements other than buildings	17,326,854	40,334,228	57,661,082	-
Machinery and equipment	7,832,310	2,332,985	10,165,295	9,074
Infrastructure	81,405,117	-	81,405,117	7,698,945
Water and wastewater rights	-	48,001,715	48,001,715	-
Construction in progress	1,013,267	19,412,809	20,426,076	999,374
Accumulated depreciation	(47,969,656)	(24,001,819)	(71,971,475)	(2,185,909)
TOTAL ASSETS	136,037,316	134,189,364	270,226,680	46,570,795
LIABILITIES				
Accounts payable and accrued liabilities	1,552,187	3,641,982	5,194,169	827,849
Accrued interest payable	182,171	202,319	384,490	1,023,265
Due to other governments	360,695	3,375	364,070	-
Due to primary government	-	-	-	17,605
Customer deposits	-	483,641	483,641	-
Unearned revenue	1,930,672	-	1,930,672	-
Noncurrent liabilities:				
Due within one year	3,065,346	4,316,717	7,382,063	2,683,886
Due in more than one year	36,729,171	58,996,642	95,725,813	50,555,842
Total liabilities	43,820,242	67,644,676	111,464,918	55,108,447
NET ASSETS				
Invested in capital assets, net of related debt	55,412,057	52,627,269	108,039,326	5,131,594
Restricted for				
Debt service	6,140,580	2,231,989	8,372,569	5,346,300
Capital improvements	-	2,372,475	2,372,475	-
Other	204,042	-	204,042	-
Unrestricted	30,460,395	9,312,955	39,773,350	(19,015,546)
Total net assets	\$ 92,217,074	\$ 66,544,688	\$ 158,761,762	\$ (8,537,652)

**CITY OF MIDLOTHIAN, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2012**

Program Activities	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 5,109,557	\$ 1,667,207	\$ 1,483,717	\$ -
Public safety	8,600,408	986,204	1,005,319	18,800
Public works	8,030,838	811,443	-	932,607
Culture and recreation	1,136,625	152,558	-	70,940
Interest on long term debt	1,798,231	-	-	-
Total governmental activities	<u>24,675,659</u>	<u>3,617,412</u>	<u>2,489,036</u>	<u>1,022,347</u>
Business-type activities				
Water and sewer	<u>9,162,129</u>	<u>9,905,551</u>	<u>-</u>	<u>1,880,524</u>
Total business-type activities	<u>9,162,129</u>	<u>9,905,551</u>	<u>-</u>	<u>1,880,524</u>
Total government	<u>\$ 33,837,788</u>	<u>\$ 13,522,963</u>	<u>\$ 2,489,036</u>	<u>\$ 2,902,871</u>
Component units				
Midlothian Economic Development	\$ 548,509	\$ -	\$ -	\$ -
Midlothian Community Development Corporation	1,750,006	-	-	-
Midlothian Development Authority	<u>6,322,737</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total component units	<u>\$ 8,621,252</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				
Net Assets - end of year				

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

Governmental Activities	Business- type Activities	Total	Component Units
\$ (1,958,633)	\$ -	\$ (1,958,633)	\$ -
(6,590,085)	-	(6,590,085)	-
(6,286,788)	-	(6,286,788)	-
(913,127)	-	(913,127)	-
(1,798,231)	-	(1,798,231)	-
(17,546,864)	-	(17,546,864)	-
-	2,623,946	2,623,946	-
-	2,623,946	2,623,946	-
<u>\$ (17,546,864)</u>	<u>\$ 2,623,946</u>	<u>\$ (14,922,918)</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (548,509)
-	-	-	(1,750,006)
-	-	-	(6,322,737)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (8,621,252)</u>
\$ 12,354,737	\$ -	\$ 12,354,737	\$ 8,282,535
2,188,151	-	2,188,151	2,188,152
2,758,118	-	2,758,118	-
22,664	-	22,664	-
52,892	-	52,892	-
86,436	55,528	141,964	46,414
428,054	-	428,054	237,755
(658,697)	658,697	-	-
17,232,355	714,225	17,946,580	10,754,856
(314,509)	3,338,171	3,023,662	2,133,604
92,531,583	63,206,517	155,738,100	(10,671,256)
<u>\$ 92,217,074</u>	<u>\$ 66,544,688</u>	<u>\$ 158,761,762</u>	<u>\$ (8,537,652)</u>

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

**CITY OF MIDLOTHIAN, TEXAS
BALANCE SHEET -
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012**

	<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	\$ 2,921,550	\$ 2,157,973	\$ 772,124	\$ 437,473	\$ 6,289,120
Investments	7,557,260	-	-	-	7,557,260
Receivables					
Taxes, net	29,782	42,007	-	-	71,789
Accounts	1,407,437	-	-	21,345	1,428,782
Due from other governments	10,711,727	-	-	211	10,711,938
Due from other funds	366,477	-	-	-	366,477
Due from component units	14,827	-	-	2,778	17,605
Commitment receivable	-	400,000	-	-	400,000
Direct financing lease	-	5,658,010	-	-	5,658,010
Note receivable	1,423,525	-	-	-	1,423,525
Prepays	40,069	-	-	-	40,069
TOTAL ASSETS	<u>\$ 24,472,654</u>	<u>\$ 8,257,990</u>	<u>\$ 772,124</u>	<u>\$ 461,807</u>	<u>\$ 33,964,575</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 854,789	\$ 24,978	\$ 34,821	\$ 117,052	\$ 1,031,640
Accrued liabilities	350,594	169,953	-	-	520,547
Due to other governments	360,695	-	-	-	360,695
Due to other funds	1,693	-	366,266	211	368,170
Deferred revenue	12,278,451	6,093,209	164,161	9	18,535,830
Total liabilities	<u>13,846,222</u>	<u>6,288,140</u>	<u>565,248</u>	<u>117,272</u>	<u>20,816,882</u>
Fund balances					
Nonspendable					
Prepays	40,069	-	-	-	40,069
Restricted for					
Law enforcement	-	-	-	5,264	5,264
Tourism	-	-	-	65,561	65,561
Court	-	-	-	132,427	132,427
Grant	-	-	-	790	790
Debt service	-	1,969,850	-	-	1,969,850
Committed to					
Historic preservation	-	-	-	1,086	1,086
City beautification	-	-	-	70,990	70,990
Community improvements	-	-	-	2,502	2,502
Training academy	-	-	-	15,243	15,243
Conference center	-	-	-	50,672	50,672
Assigned to					
Construction	-	-	206,876	-	206,876
Budget deficit	250,000	-	-	-	250,000
Unassigned	10,336,363	-	-	-	10,336,363
Total fund balances	<u>10,626,432</u>	<u>1,969,850</u>	<u>206,876</u>	<u>344,535</u>	<u>13,147,693</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 24,472,654</u>	<u>\$ 8,257,990</u>	<u>\$ 772,124</u>	<u>\$ 461,807</u>	<u>\$ 33,964,575</u>

**CITY OF MIDLOTHIAN, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012**

Total fund balances - governmental funds	\$ 13,147,693
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.	8,529,827
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	93,534,001
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.	377,083
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.	(182,171)
Revenues earned but not available within sixty days of the fiscal year-end are not recognized as revenue in the fund financial statements.	16,605,158
Compensated absences and other post employment benefits are not due and payable in the current period and therefore are not reported in the fund financial	(1,465,697)
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>(38,328,820)</u>
Net assets of governmental activities	<u><u>\$ 92,217,074</u></u>

CITY OF MIDLOTHIAN, TEXAS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2012

	General	Debt Service	Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 9,923,725	\$ 6,857,169	\$ -	\$ 20,467	\$ 16,801,361
Licenses and permits	1,120,745	-	-	-	1,120,745
Intergovernmental	2,451,178	50,000	-	140,435	2,641,613
Charges for services	872,212	-	-	344,158	1,216,370
Fines	497,138	-	-	-	497,138
Investment income	74,395	10,263	1,512	266	86,436
Contributions and donations	291,370	-	23,550	3,350	318,270
Receipts from direct financing lease	-	140,000	-	-	140,000
Miscellaneous revenues	86,337	262,570	-	93,027	441,934
Total revenues	15,317,100	7,320,002	25,062	601,703	23,263,867
Expenditures					
Current					
General government	3,333,381	-	-	719,204	4,052,585
Public safety	8,227,544	-	-	-	8,227,544
Public works	1,779,447	-	-	-	1,779,447
Culture and recreation	1,106,210	-	-	-	1,106,210
Intergovernmental					
Payment to TIRZ	1,021,141	984,778	-	-	2,005,919
Capital outlay	-	-	2,466,964	-	2,466,964
Debt Service					
Principal retirement	-	2,712,384	-	-	2,712,384
Interest charges	-	1,754,782	-	-	1,754,782
Fiscal agent's fees and debt issuance costs	-	17,986	-	-	17,986
Total expenditures	15,467,723	5,469,930	2,466,964	719,204	24,123,821
Excess (deficiency) of revenues over expenditures	(150,623)	1,850,072	(2,441,902)	(117,501)	(859,954)
Other financing sources (uses)					
Proceeds from capital lease	51,903	-	-	-	51,903
Transfers in	1,806,392	-	310,000	183,583	2,299,975
Transfers out	(458,583)	(2,448,399)	-	(51,690)	(2,958,672)
Total other financing sources (uses)	1,399,712	(2,448,399)	310,000	131,893	(606,794)
Net change in fund balances	1,249,089	(598,327)	(2,131,902)	14,392	(1,466,748)
Fund Balances - beginning of year	9,377,343	2,568,177	2,338,778	330,143	14,614,441
Fund Balances - end of year	\$ 10,626,432	\$ 1,969,850	\$ 206,876	\$ 344,535	\$ 13,147,693

**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, 2012**

Net change in fund balances - total governmental funds	\$ (1,466,748)
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.	1,282,513
Governmental funds do not recognize assets contributed by developers, component units or other fund types. 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.	1,022,347
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 investment is not reported in the governmental funds.	80,240
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.	(5,515,895)
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 \$51,903, less bond and lease principal payments of \$2,814,695 plus net amortization of premiums and discounts on bond issuances, and the deferred loss on refunding issues of \$23,828 plus the amortization of the deferred charges on debt issues of \$39,094) is the net effect of these differences in the treatment of long-term debt and related items.	2,699,870
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.	(185,507)
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.	(105,217)
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.	37,459
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.	1,183,036
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.	<u>653,393</u>
Change in net assets of governmental activities	<u><u>\$ (314,509)</u></u>

PROPRIETARY FUNDS FINANCIAL STATEMENTS

**CITY OF MIDLOTHIAN, TEXAS
STATEMENT OF FUND NET ASSETS -
PROPRIETARY FUND
SEPTEMBER 30, 2012**

ASSETS	<u>Water and Sewer Fund</u>
Current assets	
Cash and cash equivalents	\$ 6,033,329
Investments	6,090,927
Receivables	
Accounts receivable, net	1,223,275
Other receivables	77,656
Due from other funds	1,693
Restricted assets	
Cash and cash equivalents	8,088,364
Investments	<u>245,510</u>
Total current assets	21,760,754
Noncurrent assets	
Capital assets, at cost	
Land and land improvements	807,351
Buildings and improvements	11,556,642
Waterworks and sewer system	40,334,228
Machinery and equipment	2,332,985
Water and wastewater rights	48,001,715
Construction in progress	19,412,809
Accumulated depreciation	<u>(24,001,819)</u>
Total capital assets, net of accumulated depreciation	98,443,911
Bond proceeds receivable	12,425,000
Deferred charges	<u>1,559,699</u>
Total noncurrent assets	<u>112,428,610</u>
TOTAL ASSETS	<u>134,189,364</u>

**CITY OF MIDLOTHIAN, TEXAS
STATEMENT OF FUND NET ASSETS -
PROPRIETARY FUND
SEPTEMBER 30, 2012
(Continued)**

LIABILITIES	<u>Water and Sewer Fund</u>
Current liabilities	
Accounts payable and accrued liabilities	\$ 3,641,982
Accrued interest payable	202,319
Due to other governments	3,375
Customer deposits	483,641
Debt due within one year	<u>4,316,717</u>
Total current liabilities	8,648,034
Noncurrent liabilities	
Debt due in more than one year	<u>58,996,642</u>
Total noncurrent liabilities	<u>58,996,642</u>
Total liabilities	67,644,676
NET ASSETS	
Invested in capital assets, net of related debt	52,627,269
Restricted for	
Debt service	2,231,989
Capital improvements	2,372,475
Unrestricted	<u>9,312,955</u>
Total net assets	<u><u>\$ 66,544,688</u></u>

**CITY OF MIDLOTHIAN, TEXAS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2012**

	Water and Sewer Fund
Operating revenues	
Water sales	\$ 6,275,126
Sewer sales	3,159,751
Tap fees, penalties and other	470,674
Total operating revenue	9,905,551
Operating expenses	
Cost of sales and services	3,863,542
Administrative	632,341
Depreciation	2,080,599
Total operating expenses	6,576,482
Operating income	3,329,069
Nonoperating revenues (expenses)	
Investment income	55,528
Interest expense and agent fees	(2,566,847)
Loss on the disposal of assets	(18,800)
Total nonoperating revenues (expenses)	(2,530,119)
Income before contributions and transfers	798,950
Capital contributions	1,880,524
Transfers in	2,448,400
Transfers out	(1,789,703)
Change in net assets	3,338,171
Net assets, beginning of year	63,206,517
Net assets, end of year	\$ 66,544,688

**CITY OF MIDLOTHIAN, TEXAS
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2012**

	Water and Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 10,236,737
Cash paid to employees	(1,130,518)
Cash paid to suppliers	(651,020)
Net cash provided by operating activities	8,455,199
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Receipts under interfund loan agreements	2,452
Transfers from other funds	2,448,400
Transfers to other funds	(1,789,703)
Net cash provided by noncapital financing activities	661,149
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Impact fees	711,776
Proceeds from debt	5,725,000
Principal paid on debt	(4,417,616)
Capital purchases	(9,505,493)
Interest and fees paid on debt	(1,733,364)
Net cash (used in) capital and related financing activities	(9,219,697)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from investments	6,963,450
Purchases of investments	(6,336,437)
Interest on investments	55,528
Net cash provided by investing activities	682,541
Net change in cash	579,192
Cash and cash equivalents, beginning of year	13,542,501
Cash and cash equivalents, end of year	\$ 14,121,693

CITY OF MIDLOTHIAN, TEXAS
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2012
(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	\$ 7,341,612	\$ 6,200,889	\$ 13,542,501
Net change	<u>(1,308,283)</u>	<u>1,887,475</u>	<u>579,192</u>
Cash and cash equivalents - ending	<u>\$ 6,033,329</u>	<u>\$ 8,088,364</u>	<u>\$ 14,121,693</u>

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	<u>Water and Sewer Fund</u>
Operating income	\$ 3,329,069
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	2,080,599
Decrease in accounts receivable	331,186
Increase in accounts payable and accrued expenses	2,635,879
Increase in customer deposits	26,145
Increase in OPEB liability	<u>52,321</u>
Net cash provided by operating activities	<u>\$ 8,455,199</u>

SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

Assets totaling \$1,168,748 were contributed to the Water and Sewer Fund.

DISCRETELY PRESENTED COMPONENT UNITS

CITY OF MIDLOTHIAN, TEXAS
COMBINING STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS
SEPTEMBER 30, 2012

	<u>Midlothian Economic Development</u>	<u>Community Development Corporation</u>	<u>Midlothian Development Authority</u>	<u>Totals September 30, 2012</u>
ASSETS				
Cash and cash equivalents	\$ 2,119,964	\$ 1,807,884	\$ 24,689,462	\$ 28,617,310
Investments	1,742,325	245,352	-	1,987,677
Receivables (net of allowances for uncollectible)				
Accounts receivable	1,550,000	-	117,930	1,667,930
Due from other governments	189,415	189,415	-	378,830
Restricted assets				
Cash and cash equivalents	-	389,200	4,957,100	5,346,300
Deferred charges	-	70,852	1,946,777	2,017,629
Capital assets				
Land	-	26,095	-	26,095
Buildings and improvements	7,540	-	-	7,540
Machinery and equipment	9,074	-	-	9,074
Infrastructure	5,516	-	7,693,429	7,698,945
Construction in progress	-	-	999,374	999,374
Accumulated depreciation	(22,130)	-	(2,163,779)	(2,185,909)
Total assets	<u>5,601,704</u>	<u>2,728,798</u>	<u>38,240,293</u>	<u>46,570,795</u>
LIABILITIES				
Accounts payable and accrued liabilities	193,898	-	633,951	827,849
Accrued interest payable	-	10,158	1,013,107	1,023,265
Due to primary government	1,959	14,298	1,348	17,605
Noncurrent liabilities				
Debt due within one year	-	576,240	2,107,646	2,683,886
Debt due in more than one year	-	4,512,832	46,043,010	50,555,842
Total liabilities	<u>195,857</u>	<u>5,113,528</u>	<u>49,799,062</u>	<u>55,108,447</u>
NET ASSETS				
Invested in capital assets	-	(1,397,430)	6,529,024	5,131,594
Restricted for debt service	-	389,200	4,957,100	5,346,300
Unrestricted	5,405,847	(1,376,500)	(23,044,893)	(19,015,546)
Total net assets	<u>\$ 5,405,847</u>	<u>\$ (2,384,730)</u>	<u>\$ (11,558,769)</u>	<u>\$ (8,537,652)</u>

**CITY OF MIDLOTHIAN, TEXAS
 COMBINING STATEMENT OF ACTIVITIES
 DISCRETELY PRESENTED COMPONENT UNITS
 YEAR ENDED SEPTEMBER 30, 2012**

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Midlothian Economic Development				
General government	\$ 373,509	\$ -	\$ -	\$ -
Economic development	175,000	-	-	-
Total Corporation for Economic Development	<u>548,509</u>	<u>-</u>	<u>-</u>	<u>-</u>
Midlothian Community Development Corporation				
General government	1,597,951	-	-	-
Interest on long term debt	152,055	-	-	-
Total Midlothian Community Development Corporation	<u>1,750,006</u>	<u>-</u>	<u>-</u>	<u>-</u>
Midlothian Development Authority				
General government	3,329,887	-	-	-
Interest on long term debt	2,992,850	-	-	-
Total Midlothian Development Authority	<u>6,322,737</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total component units	<u>\$ 8,621,252</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

Net Assets - end of year

Net (Expenses) Revenues and Change in Net Assets			
Midlothian Economic Development	Midlothian Community Development Corporation	Midlothian Development Authority	Total
\$ (373,509)	\$ -	\$ -	\$ (373,509)
(175,000)	-	-	(175,000)
(548,509)	-	-	(548,509)
-	(1,597,951)	-	(1,597,951)
-	(152,055)	-	(152,055)
-	(1,750,006)	-	(1,750,006)
-	-	(3,329,887)	(3,329,887)
-	-	(2,992,850)	(2,992,850)
-	-	(6,322,737)	(6,322,737)
<u>\$ (548,509)</u>	<u>\$ (1,750,006)</u>	<u>\$ (6,322,737)</u>	<u>\$ (8,621,252)</u>
\$ -	\$ -	\$ 8,282,535	\$ 8,282,535
1,094,076	1,094,076	-	2,188,152
22,870	6,943	16,601	46,414
-	61,528	176,227	237,755
<u>1,116,946</u>	<u>1,162,547</u>	<u>8,475,363</u>	<u>10,754,856</u>
568,437	(587,459)	2,152,626	2,133,604
<u>4,837,410</u>	<u>(1,797,271)</u>	<u>(13,711,395)</u>	<u>(10,671,256)</u>
<u>\$ 5,405,847</u>	<u>\$ (2,384,730)</u>	<u>\$ (11,558,769)</u>	<u>\$ (8,537,652)</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 (GAAP) 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; 104 W. Avenue E, Midlothian, TX 76065.

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

Discretely Presented Component Units

Midlothian Economic Development (MED) 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 MED and affect the day-to-day operations of the MED by removing appointed board members at will. The scope of public service of the MED benefits the City and its citizens and is operated primarily within the geographic boundaries of the City.

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 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.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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:

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.

**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

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 restricted 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 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.

**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

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.

Grant Fund

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

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.

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. Capital contributions for the proprietary funds include contributions of capital assets and impact fees.

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 – Continued

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.

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.

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.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

J. 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.

K. 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. Increases and decreases from operations of the joint venture are included in fees, fines and charges for services and expenses of the general government activity, respectively. Summary financial information of the joint venture is included in Note 12.

L. Fund Equity

The City has implemented GASB Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*.” This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- **Nonspendable fund balance** - amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- **Restricted fund balance** - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed fund balance** - amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action by a resolution to remove or change the constraint.
- **Assigned fund balance** - amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority. The City Council has given this authority to the Director of Finance.
- **Unassigned fund balance** - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

L. Fund Equity – Continued

City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

In circumstances where an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, the order for which amounts will be expended is as follows: restricted, followed by committed, assigned and lastly unassigned.

In the general fund, the City adopted a policy by resolution to maintain an unassigned fund balance to be used for unanticipated emergencies of at least 25% of the actual GAAP basis expenditures and other financing sources and uses.

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, 2012 the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$11,213,763 and the bank balance was \$11,026,697. The City's cash deposits at September 30, 2012 and during the year ended September 30, 2012 were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

The Public Funds Investment Act (Government Code Chapter 2256) (the Act) 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 solicitation preferences for certificates of deposit.

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

NOTE 2. CASH AND INVESTMENTS – CONTINUED

Statutes and the City’s investment policy authorized the City to invest in the following investments as summarized in the table below:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
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	40%	None
Local Government Investment Pools	2 years	100%	10% of Pool
State and Local government GO debt	3 years	20%	None
Brokered CDs	1 year	20%	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, 2012 are classified in the accompanying financial statements as follows:

Statement of net assets	
Primary Government	
Cash and cash equivalents	\$ 12,322,449
Investments	13,648,187
Restricted cash and cash equivalents	8,088,364
Restricted investments	<u>245,510</u>
Total primary government	<u><u>\$ 34,304,510</u></u>
Component Units	
Cash and cash equivalents	\$ 28,617,310
Investments	1,987,677
Restricted cash and cash equivalents	<u>5,346,300</u>
Total component units	<u><u>\$ 35,951,287</u></u>

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

NOTE 2. CASH AND INVESTMENTS – CONTINUED

Cash and investments as of September 30, 2012 consist of the following:

Primary Government	
Deposits with financial institutions	\$ 7,950,506
Texpool	12,397,326
Texstar	62,981
Government agency notes	10,630,440
Certificates of deposit	<u>3,263,257</u>
 Total cash and investments	 <u><u>\$ 34,304,510</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, 2012, the City had the following investments:

<u>Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity</u>
Texpool	\$ 12,397,326	41 days
TexSTAR	62,981	44 days
Government agency notes	10,630,440	194 days
Certificates of deposit	<u>3,263,257</u>	139 days
 Total	 <u><u>\$ 26,354,004</u></u>	

As of September 30, 2012 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	\$ 12,397,326	N/A	AAAm
TexSTAR	62,981	N/A	AAAm
Government agency notes	10,630,440	N/A	A1 - Aa3
Certificates of deposit	<u>3,263,257</u>	N/A	Not rated
Total	<u>\$ 26,354,004</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 with the exception of investment pools which is limited to 10% of the total funds held by the investment pool. As of September 30, 2012, 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 and the government agency notes 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

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	\$ 2,003,262
Bond Reserve	2,231,989
Construction	3,614,982
Refundable water and sewer deposits	<u>483,641</u>
Total	<u><u>\$ 8,333,874</u></u>

NOTE 4. RECEIVABLES

The City has entered into a Note Receivable with the Midlothian Community Development Corporation for the sale of land in the amount of \$1,423,525. The Note has no stated interest rate. Accordingly, the City has calculated imputed interest at 2% per annum, to be recognized ratably over the life of the Note. The Note is due in five annual installments with the first payment being due in October 2012.

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 288,060	\$ 10,140	\$ 298,200
2014	275,491	22,709	298,200
2015	281,001	17,199	298,200
2016	286,621	11,579	298,200
2017	<u>292,352</u>	<u>5,848</u>	<u>298,200</u>
	<u><u>\$ 1,423,525</u></u>	<u><u>\$ 67,475</u></u>	<u><u>\$ 1,491,000</u></u>

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

NOTE 4. RECEIVABLES – CONTINUED

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, 2012:

Year Ending September 30,	Principal	Interest	Total
2013	\$ 150,000	\$ 171,375	\$ 321,375
2014	155,000	163,875	318,875
2015	165,000	156,125	321,125
2016	170,000	148,700	318,700
2017	180,000	141,900	321,900
2018-2022	1,060,000	591,330	1,651,330
2023-2027	1,365,000	339,165	1,704,165
2028-2029	655,000	45,540	700,540
	<u>\$ 3,900,000</u>	<u>\$ 1,758,010</u>	<u>\$ 5,658,010</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, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities					
Capital assets not being depreciated					
Land	\$ 17,337,491	\$ 36,316	\$ (86,985)	\$ -	\$ 17,286,822
Construction in progress	677,151	456,116	-	(120,000)	1,013,267
	<u>18,014,642</u>	<u>492,432</u>	<u>(86,985)</u>	<u>(120,000)</u>	<u>18,300,089</u>
Capital assets being depreciated					
Buildings	16,639,287	-	-	-	16,639,287
Improvements other than buildings	17,254,736	72,118	-	-	17,326,854
Infrastructure	80,170,909	1,114,208	-	120,000	81,405,117
Machinery and equipment	7,169,196	716,668	(70,221)	16,667	7,832,310
	<u>121,234,128</u>	<u>1,902,994</u>	<u>(70,221)</u>	<u>136,667</u>	<u>123,203,568</u>
Accumulated depreciation					
Buildings	(3,141,959)	(419,345)	-	-	(3,561,304)
Improvements other than buildings	(6,033,595)	(881,102)	-	-	(6,914,697)
Infrastructure	(28,940,524)	(3,690,238)	-	-	(32,630,762)
Machinery and equipment	(4,387,656)	(525,210)	66,640	(16,667)	(4,862,893)
	<u>(42,503,734)</u>	<u>(5,515,895)</u>	<u>66,640</u>	<u>(16,667)</u>	<u>(47,969,656)</u>
Capital assets being depreciated, net	<u>78,730,394</u>	<u>(3,612,901)</u>	<u>(3,581)</u>	<u>120,000</u>	<u>75,233,912</u>
Governmental activities capital assets, net	<u>\$ 96,745,036</u>	<u>\$ (3,120,469)</u>	<u>\$ (90,566)</u>	<u>\$ -</u>	<u>\$ 93,534,001</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, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type Activities					
Capital assets not being depreciated					
Land	\$ 630,850	\$ 176,501	\$ -	\$ -	\$ 807,351
Water capacity rights	29,949,793	-	-	-	29,949,793
Construction in progress	9,884,684	9,880,848	-	(352,723)	19,412,809
	<u>40,465,327</u>	<u>10,057,349</u>	<u>-</u>	<u>(352,723)</u>	<u>50,169,953</u>
Capital assets being depreciated					
Buildings	11,556,642	-	-	-	11,556,642
Machinery and equipment	2,201,767	188,719	(40,834)	(16,667)	2,332,985
Wastewater rights	18,051,922	-	-	-	18,051,922
Water and sewer system	39,553,332	428,173	-	352,723	40,334,228
	<u>71,363,663</u>	<u>616,892</u>	<u>(40,834)</u>	<u>336,056</u>	<u>72,275,777</u>
Accumulated depreciation					
Buildings	(6,953,955)	(271,977)	-	-	(7,225,932)
Machinery and equipment	(1,717,734)	(103,264)	22,034	16,667	(1,782,297)
Wastewater rights	(2,602,605)	(451,298)	-	-	(3,053,903)
Water and sewer system	(10,685,627)	(1,254,060)	-	-	(11,939,687)
	<u>(21,959,921)</u>	<u>(2,080,599)</u>	<u>22,034</u>	<u>16,667</u>	<u>(24,001,819)</u>
Capital assets being depreciated, net	<u>49,403,742</u>	<u>(1,463,707)</u>	<u>(18,800)</u>	<u>352,723</u>	<u>48,273,958</u>
Business-type activities capital assets, net	<u>\$ 89,869,069</u>	<u>\$ 8,593,642</u>	<u>\$ (18,800)</u>	<u>\$ -</u>	<u>\$ 98,443,911</u>

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

Governmental activities	
General government	\$ 238,425
Public safety	568,718
Public works	4,570,921
Culture and recreation	137,831
	<u>5,515,895</u>
Total depreciation expense - governmental activities	<u>\$ 5,515,895</u>
Business-type activities	
Water and sewer	<u>\$ 2,080,599</u>

CITY OF MIDLOTHIAN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS – CONTINUED

The City has active construction projects as of September 30, 2012. Total accumulated commitments for ongoing capital projects are composed of the following:

Capital Projects Funds	\$ 130,853
Enterprise Fund	<u>9,951,202</u>
	<u>\$ 10,082,055</u>

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 ended 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 \$12,425,000 is recorded as bond proceeds receivable.

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

NOTE 6. LONG-TERM DEBT – CONTINUED

At September 30, 2012, the City's bonds payable consisted of the following:

	<u>Governmental</u>	<u>Business-type</u>
General Obligation Bonds		
\$5,715,000 General Obligation Bonds, Series 2003, 3.8%-5%, final installment due August 2025.	\$ 4,230,000	\$ -
\$29,449,922 Combination Tax and Revenue Refunding Bonds, Series 2000, 5.00%-6.00%, final installment due September 2026.	-	4,549,921
\$2,825,000 General Obligation Bonds, Series 2004, 4.625%-5.5%, final installment due August, 2024.	2,170,000	-
\$2,320,000 General Obligation Refunding Bonds, Series 2004, 2.5%-3.9%, final installment due August 2014.	34,848	130,152
\$1,215,000 General Obligation Refunding Bonds, Series 2004-A, 1.7%-4.25%, final installment due August 2014.	67,024	92,976
\$5,100,000 General Obligation Bonds, Series 2005, 4.0%-5.0%, final installment due August 2025.	4,070,000	-
\$4,750,000 Combination Tax and Revenue Bonds, Series 2005, 4.0%-5.0%, final installment due August 2029.	3,900,000	-
\$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.	5,153,174	1,036,827
\$3,905,000 General Obligation Bonds, Series 2006, 4.0%-5%, final installment due August 2025.	3,125,000	-
\$17,390,000 General Obligation Refunding Bonds, Series 2006, 4.05%, final installment due Aug. 2019.	-	14,955,000
\$8,550,000 General Obligation Bonds, Series 2007, 4.125-5.625%, final installment due August 2027.	7,130,000	-
\$3,125,000 General Obligation Refunding Bonds, Series 2009, 2.00-3.125%, final installment due Aug. 2017.	468,330	1,481,670
\$5,750,000 General Obligation Refunding Bonds, Series 2010, 2.00-3.50%, final installment due Aug. 2021.	4,848,954	326,044
Total General Obligation Bonds	<u>\$ 35,197,330</u>	<u>\$ 22,572,590</u>

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

NOTE 6. LONG-TERM DEBT – CONTINUED

	<u>Governmental</u>	<u>Business-type</u>
Certificates of Obligation		
\$3,000,000 Combination Tax and Revenue Certificates of Obligation, Series 2003, 4.6% - 6.0%, final installment due August 2023.	\$ -	\$ 1,960,000
\$3,900,000 Combination Tax and Revenue Certificates of Obligation, Series 2006, 4.0%-5.5%, final installment due August 2025.	<u>3,020,000</u>	<u>-</u>
Total Certificates of Obligation	<u>\$ 3,020,000</u>	<u>\$ 1,960,000</u>
Tax Notes		
\$750,000 Tax Notes, Series 2006, 3.92%, final installment due February 2013.	<u>\$ 120,000</u>	<u>\$ -</u>
Total Tax Notes	<u>\$ 120,000</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.	\$ -	\$ 315,000
\$1,500,000 Waterworks and Sewer System Revenue Bonds, Series 2002, 4.0%-5.5% final installment due September 2023.	-	905,000
\$5,000,000 Waterworks and Sewer System Revenue Bonds, Series 2003, 5.0%-6.5%, final installment due September 2013.	-	125,000
\$5,920,000 Waterworks and Sewer System Revenue Bonds, Series 2004, 5.0%-6.0%, final installment due September 2029.	-	5,010,000
\$8,120,000 Waterworks and Sewer System Revenue Refunding Bonds, Series 2006, 3.875%-4.5%, final installment due September 2033.	-	7,845,000
\$25,010,000 Waterworks and Sewer System Revenue Bonds, Series 2008, 1.0% - 3.3.% final installment due September 2028	-	20,905,000
	<u>-</u>	<u>20,905,000</u>
Total Revenue Bonds	<u>\$ -</u>	<u>\$ 35,105,000</u>

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, 2012:

	Beginning Balance	Increases	Decreases	Ending Balance	Amount Due Within One Year
Governmental activities					
General obligation bonds	\$ 37,629,714	\$ -	\$ (2,432,384)	\$ 35,197,330	\$ 2,505,880
Certificates of obligation	3,185,000	-	(165,000)	3,020,000	175,000
Capital lease obligations	214,162	51,903	(102,311)	163,754	76,847
Claims and judgments	1,183,036	-	(1,183,036)	-	-
Tax note	235,000	-	(115,000)	120,000	120,000
Bond discount	(38,274)	-	4,141	(34,133)	(4,141)
Bond premium	277,058	-	(28,293)	248,765	28,293
Deferred refunding amount	(434,876)	-	47,980	(386,896)	(47,980)
Compensated absences	740,571	622,708	(517,491)	845,788	211,447
Other post employment benefits	434,402	185,507	-	619,909	-
Total governmental activities	\$ 43,425,793	\$ 860,118	\$ (4,491,394)	\$ 39,794,517	\$ 3,065,346
Business-type activities					
General obligation bonds	\$ 25,065,206	\$ -	\$ (2,492,616)	\$ 22,572,590	\$ 2,489,121
Accreted interest	4,247,079	527,501	-	4,774,580	-
Certificates of obligation	2,095,000	-	(135,000)	1,960,000	140,000
Revenue bonds	36,895,000	-	(1,790,000)	35,105,000	1,840,000
Bond discount	(320,476)	-	23,951	(296,525)	(23,951)
Bond premium	39,287	-	(5,259)	34,028	5,259
Deferred refunding amount	(1,297,736)	-	164,285	(1,133,451)	(164,285)
Compensated absences	121,788	79,131	(78,627)	122,292	30,573
Other post employment benefits	122,524	52,321	-	174,845	-
Total business-type activities	\$ 66,967,672	\$ 658,953	\$ (4,313,266)	\$ 63,313,359	\$ 4,316,717

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, 2012, are as follows:

General Obligation Bonds

Year Ending September 30,	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2013	\$ 2,505,880	\$ 1,503,415	\$ 2,489,121	\$ 713,096	\$ 7,211,512
2014	2,601,374	1,397,598	2,538,626	617,818	7,155,416
2015	2,668,041	1,288,503	2,551,960	518,684	7,027,188
2016	2,781,037	1,177,839	2,653,963	418,822	7,031,661
2017	2,824,698	1,065,372	2,540,302	314,802	6,745,174
2018-2022	13,146,300	3,567,295	7,493,854	5,782,167	29,989,616
2023-2027	8,015,000	1,100,382	2,304,764	7,408,587	18,828,733
2028-2029	655,000	45,540	-	-	700,540
	<u>\$ 35,197,330</u>	<u>\$ 11,145,944</u>	<u>\$ 22,572,590</u>	<u>\$ 15,773,976</u>	<u>\$ 84,689,840</u>

Certificates of Obligation

Year Ending September 30,	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2013	\$ 175,000	\$ 133,895	\$ 140,000	\$ 98,780	\$ 547,675
2014	180,000	124,270	150,000	90,380	544,650
2015	190,000	115,945	155,000	81,380	542,325
2016	200,000	108,345	160,000	74,250	542,595
2017	210,000	100,145	170,000	66,890	547,035
2018-2022	1,200,000	357,675	965,000	203,650	2,726,325
2023-2026	865,000	79,425	220,000	11,000	1,175,425
	<u>\$ 3,020,000</u>	<u>\$ 1,019,700</u>	<u>\$ 1,960,000</u>	<u>\$ 626,330</u>	<u>\$ 6,626,030</u>

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

NOTE 6. LONG-TERM DEBT – CONTINUED

<u>Revenue Bonds</u>			
Year Ending September 30,	<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
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	2,005,000	1,046,958	3,051,958
2017	2,075,000	985,694	3,060,694
2018-2022	10,930,000	3,861,724	14,791,724
2023-2027	10,315,000	2,006,253	12,321,253
2028-2032	3,795,000	369,704	4,164,704
2033	295,000	13,276	308,276
	<u>\$ 35,105,000</u>	<u>\$ 11,766,803</u>	<u>\$ 46,871,803</u>

<u>Tax Notes</u>			
Year Ending September 30,	<u>Governmental-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2013	\$ 120,000	\$ 2,352	\$ 122,352
	<u>\$ 120,000</u>	<u>\$ 2,352</u>	<u>\$ 122,352</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, 2012, the following outstanding bonds were legally defeased:

<u>Series</u>	<u>Type</u>	<u>Amount</u>
2003	Waterworks & sewer system revenue bonds	<u>\$ 4,155,000</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 \$77,319 for governmental activities. Amortization expense has been included in depreciation expense for the year ended September 30, 2012.

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, 2012:

Year Ending September 30,	Governmental Activities	Business-type Activities
2013	\$ 87,957	\$ -
2014	51,962	-
2015	25,477	-
2016	11,328	-
	<u>176,724</u>	-
Less amount representing interest	<u>(12,970)</u>	-
Present value of net minimum lease payments	<u>\$ 163,754</u>	<u>\$ -</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 (\$3,962 for the General Fund, \$5,276 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.

The City of Midlothian incurred a loss due to a property tax appeal case against the Ellis Central Appraisal District. The final judgment (\$1,297,010) was awarded and paid in 2012. The amount was netted against property tax revenue in the accompanying financial statements.

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
Updated service credit	100% repeating, transfers
Annuity increased to retirees	70% of CPI repeating

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**

Funding Policy

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, 2010 valuation is effective for rates beginning January 2012).

The City contributes fully at the level of their annual required contribution (ARC), resulting in no net pension obligation (NPO). For the year ended September 30, 2012, City contributions totaled \$1,167,786.

Fiscal Year Ended	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 1,139,843	\$ 1,139,843	100%	\$ -
2011	1,128,095	1,128,095	100%	-
2012	1,167,786	1,167,786	100%	-

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, follows on the next page.

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

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

Funding Policy – Continued

Valuation Date	12/31/2009	12/31/2010- Restructured	12/31/2011
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	28.1 years closed period	27.1 years closed period	26.1 years closed period
Amortization Period for New Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10 Year Smoothed Market	10 Year Smoothed Market	10 Year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return*	7.50%	7.00%	7.00%
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%

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

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

Funding Policy – Continued

A summary of the City's APC and NPO for the year ended September 30, 2012 follows:

Actuarial valuation date	12/31/2011
Actuarial value of assets	\$ 19,758,334
Actuarial accrued liability	\$ 25,863,075
Percentage funded	76.40%
Unfunded actuarial accrued liability	\$ 6,104,741
Annual covered payroll	\$ 9,218,402
Unfunded actuarial accrued liability as a percentage of covered payroll	69.30%
Net pension obligation at the beginning of period	-
Annual pension cost	
Annual required contribution	\$ 1,167,786
Interest on net pension obligation	-
Adjustment to the annual required contribution	-
	1,167,786
Total annual pension cost	1,167,786
Contributions made	(1,167,786)
Increase in net pension obligation	-
	\$ -

The funded status as of December 31, 2011, the most recent actuarial valuation date, is as follows and includes the employees of Midlothian Economic Development covered by the plan:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
<u>Date</u>	<u>Assets</u>	<u>Liability (AAL)</u>	<u>Ratio</u>	<u>(UAAL)</u>	<u>Payroll</u>	<u>Percentage of Covered Payroll</u>
	(1)	(2)	(3)	(4)	(5)	(6)
			(1) / (2)	(2) - (1)		(4) / (5)
12/31/2011	\$ 19,758,334	\$ 25,863,075	76.4%	\$ 6,104,741	\$ 8,803,653	69.3%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

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

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

Funding Policy – Continued

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

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.

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.

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 plus a 2% administrative fee. The City of Midlothian does not contribute to any portion of the COBRA premium.

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

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

Benefits – Continued

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.

Types of Coverage Offered

The City offers medical and dental coverage to eligible retirees.

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

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

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 most recent OPEB actuarial valuation performed for the fiscal year beginning October 1, 2011 as required by GASB. The City's annual OPEB cost for the current year is as follows:

Annual required contribution	\$ 254,952
Interest on OPEB obligation	22,277
Adjustment to ARC	<u>(31,582)</u>
Annual OPEB cost (expense) end of year	245,647
Net employer contributions	<u>(7,819)</u>
Increase in net OPEB obligation (NOO)	237,828
Net OPEB obligation - as of beginning of the year	<u>556,926</u>
 Net OPEB obligation - as of end of the year	 <u><u>\$ 794,754</u></u>

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

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

Funding Policy and Annual OPEB Cost – Continued

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the past three fiscal years were as follows:

Fiscal Year Ending	Annual OPEB Cost	Annual Contribution Made	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 195,644	\$ 11,878	6%	\$ 366,138
2011	196,064	5,696	3%	556,926
2012	245,647	7,819	3%	794,754

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, 2012 is as follows:

Actuarial Valuation Date	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
2011	\$ -	\$ 1,627,462	\$ 1,627,462	\$ -	\$ 7,503,251	21.7%

As of October 1, 2011, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$1,627,462, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$7,503,251, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 21.7%.

Under the reporting parameters, the City's retiree health care plan is 0% funded with an estimated actuarial accrued liability exceeding actuarial assets by \$1,627,462 at September 30, 2012.

Actuarial Methods and Assumptions

The Projected 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 Projected 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

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

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

Actuarial Methods and Assumptions – Continued

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.

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 199 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	2,167
Terminated members entitled to benefits but not yet receiving them	2,106
Current active members (vested and nonvested)	<u>4,371</u>
Total	<u>8,644</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 serve 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 the 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 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.

Actuarial assumptions and methods as of August 31, 2010, the latest actuarial valuation, follows the actuarial cost method of Entry Age, the amortization method of Level dollar, open with an Amortization period of 30 years. The Asset valuation method is Market value smoothed by a 5-year deferred recognition method with a 80%/120% corridor on market value. The Actuarial assumptions use a 7.75% per year, net of investment expense investment rate of return (includes inflation at 3.5% and no cost of living adjustments).

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, 2009, 2010 and 2011 were \$1,952, \$992 and \$800 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

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

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

Contributions – Continued

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.

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 2012 transfer activity:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Utility Fund	\$ 1,779,702	Cover personnel costs
Capital Projects	Utility Fund	10,000	Construction projects
Capital Projects	General Fund	300,000	Construction projects
Water and Sewer	Debt Service	2,448,400	Funds for debt service
General Fund	Special Revenue	26,690	Court personnel costs
Special Revenue	General Fund	158,583	Conference Center
Special Revenue	Special Revenue	<u>25,000</u>	Conference Center
	Totals	<u>\$ 4,748,375</u>	

Interfund balances at September 30, 2012 consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General	Capital Projects	\$ 366,266	Temporary project loans
General	Nonmajor Governmental	211	Cash loan
Water and Sewer	General	<u>1,693</u>	Garbage franchise fees
	Totals	<u>\$ 368,170</u>	

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

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.

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 2012 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. The joint venture does not issue separate financial statements.

The following is summary financial information of the joint venture at September 30, 2012 and for the year then ended:

Balance Sheet	
Assets	\$ 17,127,177
Liabilities	<u>(67,253)</u>
Net assets	<u>\$ 17,059,924</u>
Revenues	\$ 486,029
Expenses	<u>(395,548)</u>
Net income	<u>\$ 90,481</u>

CITY OF MIDLOTHIAN, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 13. CONDUIT DEBT OBLIGATIONS

During the year ended September 30, 2010, 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. SUBSEQUENT EVENT

On November 7, 2012 the City issued \$6,925,000 of General Obligation Refunding Bonds, Series 2012. The bonds were used to refund a portion of Waterworks and Sewer System Revenue Bonds, General Obligation Bonds, Combination Tax and Revenue Certificates of Obligation, and General Obligation Refunding Bonds. The Refunding bonds were issued in order to achieve debt service savings.

The City also issued \$2,100,000 of Tax Notes, Series 2012 on November 20, 2012 to a local bank. The Tax Notes were issued to purchase fire equipment and park improvements.

BUDGETARY COMPARISON SCHEDULES

CITY OF MIDLOTHIAN, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED SEPTEMBER 30, 2012

	<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	\$ 9,705,230	\$ 9,705,230	\$ 9,923,725	\$ 218,495
Licenses and permits	267,350	267,350	1,120,745	853,395
Intergovernmental	2,465,571	2,465,571	2,451,178	(14,393)
Charges for services	760,200	760,200	872,212	112,012
Fines	425,200	425,200	497,138	71,938
Investment income	38,000	38,000	74,395	36,395
Contributions and donations	5,000	5,000	291,370	286,370
Miscellaneous revenues	35,000	35,000	86,337	51,337
Total revenues	<u>13,701,551</u>	<u>13,701,551</u>	<u>15,317,100</u>	<u>1,615,549</u>
Expenditures:				
Current				
General government	3,517,382	3,517,382	3,333,381	184,001
Public safety	8,184,596	8,226,103	8,227,544	(1,441)
Public works	1,868,990	1,927,137	1,779,447	147,690
Culture and recreation	1,140,982	1,142,257	1,106,210	36,047
Intergovernmental	985,362	985,362	1,021,141	(35,779)
Total expenditures	<u>15,697,312</u>	<u>15,798,241</u>	<u>15,467,723</u>	<u>330,518</u>
Excess (deficiency) of revenues over expenditures	<u>(1,995,761)</u>	<u>(2,096,690)</u>	<u>(150,623)</u>	<u>1,946,067</u>
Other financing sources (uses)				
Capital lease proceeds	-	-	51,903	51,903
Transfers in	1,813,262	1,813,262	1,806,392	(6,870)
Transfers out	(458,583)	(458,583)	(458,583)	-
Total other financing sources (uses)	<u>1,354,679</u>	<u>1,354,679</u>	<u>1,399,712</u>	<u>45,033</u>
Net change in fund balance	(641,082)	(742,011)	1,249,089	1,991,100
Fund Balances - beginning of year	9,377,343	9,377,343	9,377,343	-
Fund Balances - end of year	<u>\$ 8,736,261</u>	<u>\$ 8,635,332</u>	<u>\$ 10,626,432</u>	<u>\$ 1,991,100</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, MidTowne PID fund, Conference Center fund, and the Water and Sewer fund. Other 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**

Fiscal Year	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							
2010	12/31/09	\$ 11,855,574	\$ 18,115,455	65.4%	\$ 6,259,881	\$ 8,685,730	72.1%
2011	12/31/10	17,351,592	23,809,051	72.9%	6,457,459	8,512,235	75.9%
2012	12/31/11	19,758,334	25,863,075	76.4%	6,104,741	8,803,653	69.3%
Texas Statewide Emergency Services Personnel Retirement Fund (Senate Bill 411)							
	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	81,264,230	78.9%	17,150,427	N/A	
Other Post Employment Retirement Benefits⁽¹⁾							
2009	10/1/2008	\$ -	\$ 1,048,811	0.0%	\$ 1,048,811	\$ 7,962,100	13.2%
2012	10/1/2011	-	1,627,462	0.0%	1,627,462	7,503,251	21.7%

⁽¹⁾ The City obtained its first OPEB actuarial study for the year ended September 30, 2009.

**COMBINING STATEMENTS AND NONMAJOR
BUDGETARY COMPARISON SCHEDULES**

**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.

City 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, 2012**

	<u>Police Imprest</u>	<u>Midlothian Restoration</u>	<u>Hotel / Motel Tax</u>	<u>City Beautification Fund</u>
ASSETS				
Cash and cash equivalents	\$ 6,816	\$ 1,086	\$ 61,140	\$ 68,890
Accounts receivable	-	-	4,421	2,100
Due from other governments	-	-	-	-
Due from component units	-	-	-	-
TOTAL ASSETS	<u>\$ 6,816</u>	<u>\$ 1,086</u>	<u>\$ 65,561</u>	<u>\$ 70,990</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable and accrued liabilities	\$ 1,552	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
Total liabilities	<u>1,552</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances				
Restricted for				
Law enforcement	5,264	-	-	-
Tourism	-	-	65,561	-
Court	-	-	-	-
Grant	-	-	-	-
Committed to				
Historic preservation	-	1,086	-	-
City beautification	-	-	-	70,990
Community improvements	-	-	-	-
Training academy	-	-	-	-
Conference center	-	-	-	-
Total fund balances	<u>5,264</u>	<u>1,086</u>	<u>65,561</u>	<u>70,990</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 6,816</u>	<u>\$ 1,086</u>	<u>\$ 65,561</u>	<u>\$ 70,990</u>

MidTowne PID	Police Training Academy	Municipal Court	Grant Fund	Conference Center Fund	Total Non Major Governmental Funds
\$ 8,864	\$ 15,243	\$ 133,277	\$ 66,719	\$ 75,438	\$ 437,473
15	-	200	14,609	-	21,345
-	-	-	211	-	211
-	-	-	-	2,778	2,778
<u>\$ 8,879</u>	<u>\$ 15,243</u>	<u>\$ 133,477</u>	<u>\$ 81,539</u>	<u>\$ 78,216</u>	<u>\$ 461,807</u>
\$ 6,368	\$ -	\$ 1,050	\$ 80,538	\$ 27,544	\$ 117,052
-	-	-	211	-	211
9	-	-	-	-	9
<u>6,377</u>	<u>-</u>	<u>1,050</u>	<u>80,749</u>	<u>27,544</u>	<u>117,272</u>
-	-	-	-	-	5,264
-	-	-	-	-	65,561
-	-	132,427	-	-	132,427
-	-	-	790	-	790
-	-	-	-	-	1,086
-	-	-	-	-	70,990
2,502	-	-	-	-	2,502
-	15,243	-	-	-	15,243
-	-	-	-	50,672	50,672
<u>2,502</u>	<u>15,243</u>	<u>132,427</u>	<u>790</u>	<u>50,672</u>	<u>344,535</u>
<u>\$ 8,879</u>	<u>\$ 15,243</u>	<u>\$ 133,477</u>	<u>\$ 81,539</u>	<u>\$ 78,216</u>	<u>\$ 461,807</u>

**CITY OF MIDLOTHIAN, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - NON MAJOR
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2012**

	Special Revenue			
	Police Imprest	Midlothian Restoration	Hotel Motel Tax	City Beautification Fund
Revenues				
Taxes	\$ -	\$ -	\$ 15,301	\$ -
Charges for services	-	-	-	-
Investment income	-	-	58	50
Intergovernmental	-	-	-	-
Contributions and donations	-	-	-	-
Miscellaneous revenues	5,015	615	-	9,510
Total revenues	5,015	615	15,359	9,560
Expenditures				
Current				
General government	12,164	24	-	-
Total expenditures	12,164	24	-	-
Excess (deficiency) revenues over expenditures	(7,149)	591	15,359	9,560
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	(25,000)	-
Total other financing sources (uses)	-	-	(25,000)	-
Net change in fund balance	(7,149)	591	(9,641)	9,560
Fund Balances - beginning of year	12,413	495	75,202	61,430
Fund Balances - end of year	\$ 5,264	\$ 1,086	\$ 65,561	\$ 70,990

Special Revenue					
Midtowne PID	Police Training Academy	Municipal Court	Grant Fund	Conference Center	Total Non Major Governmental Funds
\$ 5,166	\$ -	\$ -	\$ -	\$ -	\$ 20,467
-	2,105	61,014	-	281,039	344,158
4	13	79	29	33	266
-	-	-	107,102	33,333	140,435
-	-	-	3,350	-	3,350
-	-	-	77,686	201	93,027
<u>5,170</u>	<u>2,118</u>	<u>61,093</u>	<u>188,167</u>	<u>314,606</u>	<u>601,703</u>
<u>6,368</u>	<u>3,484</u>	<u>12,457</u>	<u>201,192</u>	<u>483,515</u>	<u>719,204</u>
<u>6,368</u>	<u>3,484</u>	<u>12,457</u>	<u>201,192</u>	<u>483,515</u>	<u>719,204</u>
(1,198)	(1,366)	48,636	(13,025)	(168,909)	(117,501)
-	-	-	-	183,583	183,583
-	-	(26,690)	-	-	(51,690)
-	-	(26,690)	-	183,583	131,893
(1,198)	(1,366)	21,946	(13,025)	14,674	14,392
<u>3,700</u>	<u>16,609</u>	<u>110,481</u>	<u>13,815</u>	<u>35,998</u>	<u>330,143</u>
<u>\$ 2,502</u>	<u>\$ 15,243</u>	<u>\$ 132,427</u>	<u>\$ 790</u>	<u>\$ 50,672</u>	<u>\$ 344,535</u>

**CITY OF MIDLOTHIAN, TEXAS
MIDTOWNE PID
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED SEPTEMBER 30, 2012**

	<u>Budgeted amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
Revenues:				
Taxes	\$ 3,818	\$ 3,818	\$ 5,166	\$ 1,348
Investment Income	-	-	4	4
Total revenues	<u>3,818</u>	<u>3,818</u>	<u>5,170</u>	<u>1,352</u>
Expenditures:				
Current				
General Government	<u>10,990</u>	<u>10,990</u>	<u>6,368</u>	<u>4,622</u>
Total expenditures	<u>10,990</u>	<u>10,990</u>	<u>6,368</u>	<u>4,622</u>
Excess (deficiency) of revenues over expenditures	<u>(7,172)</u>	<u>(7,172)</u>	<u>(1,198)</u>	<u>(3,270)</u>
Net change in fund balance	(7,172)	(7,172)	(1,198)	5,974
Fund Balances - beginning of year	<u>3,700</u>	<u>3,700</u>	<u>3,700</u>	<u>-</u>
Fund Balances - end of year	<u><u>\$ (3,472)</u></u>	<u><u>\$ (3,472)</u></u>	<u><u>\$ 2,502</u></u>	<u><u>\$ 5,974</u></u>

**CITY OF MIDLOTHIAN, TEXAS
MIDLOTHIAN CONFERENCE CENTER
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED SEPTEMBER 30, 2012**

	<u>Budgeted amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 210,336	\$ 210,336	\$ 281,039	\$ 70,703
Investment Income	75	75	33	(42)
Intergovernmental	33,333	33,333	33,333	-
Miscellaneous revenues	-	-	201	201
	<u>243,744</u>	<u>243,744</u>	<u>314,606</u>	<u>70,862</u>
Expenditures:				
<i>Current</i>				
General government	470,947	470,947	483,515	(12,568)
Total expenditures	470,947	470,947	483,515	(12,568)
Excess (deficiency) of revenues over expenditures	<u>(227,203)</u>	<u>(227,203)</u>	<u>(168,909)</u>	<u>58,294</u>
Other financing sources (uses)				
Transfers in	183,583	183,583	183,583	-
Total other financing sources (uses)	<u>183,583</u>	<u>183,583</u>	<u>183,583</u>	<u>-</u>
Net change in fund balance	(43,620)	(43,620)	14,674	58,294
Fund Balances - beginning of year	35,998	35,998	35,998	-
Fund Balances - end of year	<u>\$ (7,622)</u>	<u>\$ (7,622)</u>	<u>\$ 50,672</u>	<u>\$ 58,294</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 TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

TABLE 1

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	\$ 55,677,252	\$ 55,412,057
Restricted for										
Debt Service	2,086,873	2,233,953	2,426,815	7,395,689	7,520,809	7,347,708	7,415,494	7,205,824	6,907,446	6,140,580
Capital Improvements	-	-	-	-	-	-	-	-	-	-
Other	103,428	109,142	-	-	-	-	-	-	211,911	204,042
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	29,734,974	30,460,395
Total governmental activities net assets	\$ 43,652,131	\$ 54,623,215	\$ 64,762,328	\$ 75,233,708	\$ 75,954,867	\$ 76,317,215	\$ 75,745,415	\$ 80,358,097	\$ 92,531,583	\$ 92,217,074
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	\$ 45,542,790	\$ 52,627,269
Restricted for										
Debt Service	229,298	1,613,053	1,990,925	1,971,967	3,258,554	2,364,683	2,364,683	2,364,683	2,269,720	2,231,989
Capital Improvements	-	-	-	-	-	5,468,915	3,625,430	2,731,722	2,280,663	2,372,475
Other	-	-	-	-	-	-	-	-	-	-
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	13,113,344	9,312,955
Total business-type activities net assets	\$ 27,641,826	\$ 30,166,923	\$ 35,180,609	\$ 41,549,125	\$ 46,747,273	\$ 52,082,544	\$ 56,020,344	\$ 59,293,428	\$ 63,206,517	\$ 66,544,688
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	\$ 101,220,042	\$ 108,039,326
Restricted for										
Debt Service	2,316,171	3,847,006	4,417,740	9,367,656	10,779,363	9,712,391	9,780,177	9,570,507	9,177,166	8,372,569
Capital Improvements	-	-	-	-	-	5,468,915	3,625,430	2,731,722	2,280,663	2,372,475
Other	103,428	109,142	-	-	-	-	-	-	211,911	204,042
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	42,848,318	39,773,350
Total primary governmental net assets	\$ 71,293,957	\$ 84,790,138	\$ 99,942,937	\$ 116,782,833	\$ 122,702,140	\$ 128,399,759	\$ 131,765,759	\$ 139,651,525	\$ 155,738,100	\$ 158,761,762

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 TEN FISCAL YEARS
(UNAUDITED)**

TABLE 2

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	\$ 6,686,308	\$ 5,109,557
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	8,175,835	8,600,408
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	6,562,699	8,030,838
Culture and recreation	446,606	664,502	595,056	721,481	766,926	823,641	963,167	832,755	940,144	1,136,625
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	1,930,825	1,798,231
Total governmental activities expenses	10,109,934	11,955,494	14,384,510	15,937,824	18,828,824	21,352,124	23,945,829	26,975,792	24,295,811	24,675,659
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	9,561,867	9,162,129
Midlothian Water District*	3,321,360	2,809,028	-	-	-	-	-	-	-	-
Total business-type activities expenses	8,083,530	8,193,353	9,434,690	9,761,351	9,510,265	10,293,223	9,382,185	8,832,538	9,561,867	9,162,129
Total primary government expenses	\$ 18,193,464	\$ 20,148,847	\$ 23,819,200	\$ 25,699,175	\$ 28,339,089	\$ 31,645,347	\$ 33,328,014	\$ 35,808,330	\$ 33,857,678	\$ 33,837,788
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	\$ 5,048,002	\$ 1,667,207
Public safety	261,656	405,064	751,319	692,899	875,772	1,347,798	1,039,640	922,514	1,492,162	986,204
Public works	554,591	640,834	1,039,022	855,735	652,315	402,686	159,627	235,720	251,549	811,443
Culture and recreation	61,169	63,763	61,059	89,351	84,078	75,926	115,770	104,083	187,100	152,558
Operating grants and contributions	20,925	309,936	349,606	407,000	424,274	791,000	716,785	1,117,482	11,858,703	2,489,036
Capital grants and contributions	-	9,358,125	7,409,028	8,942,467	1,573,854	1,100,052	3,587,353	9,712,427	315,977	1,022,347
Total governmental activities program revenues	1,426,009	11,385,692	10,353,707	12,007,540	4,696,599	4,711,460	6,445,685	13,350,172	19,153,493	7,128,795
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	8,878,487	10,009,247	9,905,551
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	1,765,426	1,880,524
Total business-type activities program revenues	11,296,804	8,008,924	9,485,246	12,550,910	10,614,132	11,403,944	10,760,235	10,660,415	11,774,673	11,786,075
Total primary government program revenues	\$ 12,722,813	\$ 19,394,616	\$ 19,838,953	\$ 24,558,450	\$ 15,310,731	\$ 16,115,404	\$ 17,205,920	\$ 24,010,587	\$ 30,928,166	\$ 18,914,870
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)	\$ (13,625,620)	\$ (5,142,318)	\$ (17,546,864)
Business-type activities	3,213,274	(184,429)	50,556	2,789,559	1,103,867	1,110,721	1,378,050	1,827,877	2,212,806	2,623,946
Total primary government net expenses	\$ (5,470,651)	\$ (754,231)	\$ (3,980,247)	\$ (1,140,725)	\$ (13,028,358)	\$ (15,529,943)	\$ (16,122,094)	\$ (11,797,743)	\$ (2,929,512)	\$ (14,922,918)

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

TABLE 2

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Revenues										
and Other Changes in Net Assets										
	(continued)									
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	\$ 13,800,154	\$ 12,354,737
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	2,012,964	2,188,151
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	2,593,348	2,758,118
Penalties and interest	26,896	29,101	36,612	43,555	62,194	56,157	103,432	138,459	64,171	22,664
Other taxes	19,658	17,409	19,567	20,410	20,097	20,707	20,142	20,645	22,152	52,892
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	66,285	86,436
Miscellaneous	202,331	367,045	170,809	531,456	296,434	665,583	516,764	663,165	390,110	428,054
Transfers	(325,199)	292,017	(112,679)	9,878	344,284	774,214	(1,989,896)	(1,253,602)	(1,633,380)	(658,697)
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>	<u>\$ 17,315,804</u>	<u>\$ 17,232,355</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	66,903	55,528
Unrestricted Grants and Contributions	1,636,196	-	-	-	-	-	-	-	-	-
Miscellaneous	90,201	154,724	259,599	81,067	140,597	483,012	261,017	91,377	-	-
Transfers	325,199	(292,017)	112,679	(206,754)	(344,284)	(774,214)	1,989,896	1,253,602	1,633,380	658,697
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>1,445,207</u>	<u>1,700,283</u>	<u>714,225</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>\$ 19,683,509</u>	<u>\$ 19,016,087</u>	<u>\$ 17,946,580</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)	\$ 4,612,682	\$ 12,173,486	\$ (314,509)
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	3,913,089	3,338,171
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>\$ 7,885,766</u>	<u>\$ 16,086,575</u>	<u>\$ 3,023,662</u>

Source: Comprehensive Annual Financial Report
Water District Dissolved 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>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Fund										
Reserved ^a	\$ 5,800	\$ 10,311	\$ 104,911	\$ 21,397	\$ 9,703	\$ 15,175	\$ 15,633	\$ 44,246	\$ -	\$ -
Unreserved	5,079,927	6,256,189	6,840,162	8,998,065	10,987,674	10,074,215	8,589,126	8,684,283	-	-
Nonspendable	-	-	-	-	-	-	-	-	43,608	40,069
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	641,082	250,000
Unassigned	-	-	-	-	-	-	-	-	8,692,653	10,336,363
Total general fund	\$ 5,085,727	\$ 6,266,500	\$ 6,945,073	\$ 9,019,462	\$ 10,997,377	\$ 10,089,390	\$ 8,604,759	\$ 8,728,529	\$ 9,377,343	\$ 10,626,432
All Other Governmental Funds										
Reserved for:										
Debt service	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	103,428	109,142	100,380	107,629	325,955	337,815	370,475	320,673	-	-
Unreserved Reported in:										
Capital projects funds	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)	-	-
Fund Balances, reported in:										
Restricted for:										
Special revenue funds	-	-	-	-	-	-	-	-	211,911	204,042
Debt Service	-	-	-	-	-	-	-	-	2,568,177	1,969,850
Committed to:										
Special revenue funds	-	-	-	-	-	-	-	-	118,232	140,493
Assigned to:										
Capital projects funds	-	-	-	-	-	-	-	-	2,338,778	206,876
Total all other governmental funds	\$ 7,421,895	\$ 7,967,876	\$ 12,725,478	\$ 10,858,464	\$ 15,696,354	\$ 9,660,645	\$ 7,140,790	\$ 7,538,443	\$ 5,237,098	\$ 2,521,261

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)

	2003	2004	2005	2006 ^a	2007	2008	2009	2010	2011	2012
REVENUES										
Taxes	\$ 6,978,183	\$ 5,485,443	\$ 6,152,777	\$ 11,627,059	\$ 14,211,139	\$ 13,977,016	\$ 17,705,852	\$ 17,951,928	\$ 17,859,761	\$ 16,801,361
Licenses, permits and fees	499,572	693,207	881,747	887,454	737,964	395,101	229,319	286,907	309,248	1,120,745
Charges for services	274,782	215,432	744,046	910,509	912,021	718,770	877,759	927,061	1,009,743	1,216,370
Fines & Forfeits	292,304	357,601	312,170	519,039	573,937	459,772	433,466	484,477	422,250	497,138
Contributions and Donations	1,550	-	-	-	-	-	-	213,367	543,659	318,270
Receipts from Direct Financing Lease	-	-	-	-	-	115,000	120,000	125,000	135,000	140,000
Intergovernmental	372,507	616,495	1,330,408	1,871,514	1,352,749	1,738,304	1,869,239	4,169,681	2,816,910	2,641,613
Interest earned	212,884	203,510	535,154	1,105,733	1,179,698	857,620	252,125	78,442	66,278	86,436
Miscellaneous	673,753	642,332	290,056	182,927	492,867	935,763	495,397	525,044	410,570	441,934
Total revenues	9,305,535	8,214,020	10,246,358	17,104,235	19,460,375	19,197,346	21,983,157	24,761,907	23,573,419	23,263,867
EXPENDITURES										
General government	1,910,145	2,372,177	3,000,538	3,044,284	3,940,200	4,665,749	4,199,227	4,489,943	4,015,939	4,052,585
Public safety	3,199,679	3,566,219	4,229,325	4,638,950	5,429,149	6,309,800	7,457,327	7,791,388	7,797,551	8,227,544
Public works	1,604,259	1,469,264	1,551,767	2,180,812	2,088,928	2,489,213	2,079,831	1,785,574	1,584,023	1,779,447
Culture and recreation	444,709	627,132	581,720	681,368	691,615	920,895	836,696	687,663	805,374	1,106,210
Intergovernmental-TIRZ	957,491	844,865	1,046,767	989,353	1,074,038	1,323,730	2,144,505	2,379,198	2,070,652	2,005,919
Bond Issuance Cost	49,403	66,078	3,722	235,671	71,366	6,067	44,450	110,367	21,840	17,986
Capital outlay	8,084,596	3,092,413	5,939,748	11,025,921	4,637,286	6,768,755	2,915,850	1,462,712	2,884,938	2,466,964
Debt service										
Principal retirement	857,329	917,277	871,726	1,308,608	1,626,391	2,144,038	2,298,426	2,411,915	2,617,155	2,712,384
Interest and fiscal charges	1,119,065	1,317,511	1,521,234	1,923,885	2,017,176	2,429,151	2,230,011	2,104,360	1,857,726	1,754,782
Total expenditures	18,226,676	14,272,936	18,746,547	26,028,852	21,576,149	27,057,398	24,206,323	23,223,120	23,655,198	24,123,821
Excess (deficiency) of revenues over (under) expenditures	<u>(8,921,141)</u>	<u>(6,058,916)</u>	<u>(8,500,189)</u>	<u>(8,924,617)</u>	<u>(2,115,774)</u>	<u>(7,860,052)</u>	<u>(2,223,166)</u>	<u>1,538,787</u>	<u>(81,779)</u>	<u>(859,954)</u>
OTHER FINANCING SOURCES (USES)										
Proceeds from refunding bonds	-	-	-	-	-	-	750,526	5,387,729	-	-
Proceeds from sales of bonds	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	62,628	51,903
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	-	-	-	-	-	-	-	-	-	-
Operating transfer to component units	-	-	-	-	-	-	-	-	-	-
Transfer from other funds	590,000	425,544	335,686	522,084	716,902	1,358,577	848,347	1,586,467	1,591,962	2,299,975
Transfer to other funds	(915,199)	(393,583)	(448,365)	(512,206)	(372,618)	(584,363)	(2,838,243)	(2,840,069)	(3,225,342)	(2,958,672)
Total other financing sources (uses)	5,433,105	2,903,756	9,791,857	9,131,992	8,931,579	916,356	(1,781,320)	(1,017,364)	(1,570,752)	(606,794)
NET CHANGE IN FUND BALANCES	\$ (3,488,036)	\$ (3,155,160)	\$ 1,291,668	\$ 207,375	\$ 6,815,805	\$ (6,943,696)	\$ (4,004,486)	\$ 521,423	\$ (1,652,531)	\$ (1,466,748)
Debt service as a percentage of noncapital expenditures	21.1%	20.4%	19.4%	23.0%	22.0%	24.1%	21.6%	19.6%	21.5%	19.6%

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			
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
2011	1,889,750,597	556,829,454	418,280,742	2,028,299,309	0.65000
2012	1,840,756,783	508,350,623	393,438,309	1,955,669,097	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
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
2011	0.273906	0.376094	0.650000	1.397500		0.393599	1.428900
2012	0.272313	0.377687	0.650000	1.540000		0.413599	1.428900

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, 2012
(UNAUDITED)**

Table 7

2012			2003		
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	\$ 159,753,283 ^c	10.08%	Chaparral Steel Midlothian LP	\$ 145,358,218	16.17%
Holcim (US) Inc.	109,387,154 ^c	6.90%	Holcim Texas LTD Partnership	143,245,305	15.94
TXI Operations LP	70,439,208 ^c	4.44%	TXI Operations LP	89,389,567	9.94
Target Corporation	44,623,630 ^c	2.82%	Midlothian Energy Limited	34,698,773	3.86
Midlothian Energy Limited	43,837,548 ^c	2.77%	North Texas Cement Company	34,471,542	3.83
Ash Grove/North Texas Cement	36,997,843 ^c	2.33%	Toys R Us - Delaware Inc	27,060,010	3.01
Giraffe Properties LLC (Toys R Us)	27,919,175 ^c	1.76%	Texas Properties Trust	7,176,330	0.80
Wal Mart Real Estate	21,735,850 ^c	1.37%	Air Products & Chemicals	6,980,140	0.78
JCTC Investments LLP	13,000,000	0.82%	ONCOR Electric Delivery Company	6,721,660	0.75
Texas Properties Trust	10,310,120	0.65%	Nissan North America Inc	6,558,511	0.73
Top Ten Tax Payers Total	\$ 538,003,811	33.94%	Top Ten Tax Payers Total	\$ 501,660,056	55.81%
All Other Tax Payers	\$ 1,046,885,709	66.06%	All Other Tax Payers	\$ 397,226,895	44.19%
Total Assessed Valuation	\$ 1,584,889,520	100.00%	Total Assessed Valuation	\$ 898,886,951	100.00%

Source: Budget Document/ Ellis Central Appraisal Office

Notes: ^aTaxpayers are assessed on January 1, 2011 (2011 tax year) for the 2012 fiscal year.

^bTaxpayers are assessed on January 1, 2001 (2000 tax year) for the 2002 fiscal year; These values *do not* include the TIRZ .

^cExcludes the property located in the TIRZ (Tax Increment Reinvestment Zone) in the amount of \$429,064,514

**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
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
2011	13,186,511	13,088,830	99.26	88,232	13,177,062	99.93
2012	12,648,665	12,603,205	99.64	(715,693) ^(a)	11,887,512	93.98

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	<u>Governmental Activities</u>			<u>Business-Type Activities</u>			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			
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	24.95%	7,585
2008	42,094,359	5,613,734	555,000	41,860,000	29,265,563	5,021,267	124,409,923	34.24%	8,551
2009	40,940,080	4,595,000	450,000	40,325,000	29,724,839	2,350,000	118,384,919	29.22%	7,285
2010	39,906,865	3,415,000	345,000	38,635,000	27,448,050	2,225,000	111,974,915	21.24%	6,529
2011	37,629,714	3,185,000	235,000	36,895,000	25,065,206	2,095,000	105,104,920	18.32%	5,743
2012	35,197,330	3,020,000	120,000	35,105,000	22,572,590	1,960,000	97,974,920	16.29%	5,225

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
2003	\$ 21,092,041	\$ 4,000,075	25,092,116	1.89%	\$ 2,356
2004	24,333,479	2,488,148	\$ 26,821,627	1.86%	2,212
2005	28,680,444	7,119,458	35,799,902	2.31%	2,841
2006	36,585,117	6,148,407	42,733,524	2.52%	3,213
2007	43,863,700	5,888,432	49,752,132	2.59%	3,618
2008	42,094,359	5,613,734	47,708,093	2.31%	3,279
2009	40,940,080	4,595,000	45,535,080	2.15%	2,802
2010	39,906,865	3,415,000	43,321,865	2.14%	2,526
2011	37,629,714	3,185,000	40,814,714	2.09%	2,230
2012	35,197,330	3,020,000	38,217,330	1.95%	2,038

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, 2012
(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.	\$ 234,173,926	65.69%	\$ 153,828,852
Ellis County	56,541,262	18.99%	10,737,186
Waxahachie I.S.D.	<u>118,578,379</u>	1.87%	<u>2,217,416</u>
Subtotal, overlapping debt	<u>\$ 409,293,567</u>		<u>166,783,453</u>
City of Midlothian (direct debt)			<u>62,869,920</u>
Total direct and overlapping debt			<u><u>\$ 229,653,373</u></u>

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

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and the businesses of Midlothian. This process recognizes that, when considering the city's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

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

Table 12

Fiscal Year	Water and Sewer System Revenue Bonds					Times Coverage
	Total Revenues ^a	Less: Operating Expenses ^b	Net Available Revenue	Annual Requirement ^c		
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	
2011	10,076,150	5,868,723	4,207,427	2,522,945	1.67	
2012	9,961,079	6,285,586	3,675,493	2,602,615	1.41	

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
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	527,197,860	76,851	7,556	8.20
2011	18,300	573,873,360	78,398	7,555	8.80
2012	18,750	601,417,500	80,189	7,539	6.20

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 TEN YEARS AGO
(UNAUDITED)**

Table 14

2012		2003	
Employer	Employees Range	Employer	Employees Range
Gerdau	500-1000	Chaparral Steel Company	1000-1500
Midlothian ISD	500-1000	Texas Industries, Inc.	200-499
Target Corporation	500-1000	Toys "R" Us	200-499
Walmart Stores	200-499	Holcim	100-199
Toys "R" Us	200-499	N. Tx Cement Plant	100-199
City of Midlothian	100-199	Mid-Tx Int'l	100-199
Ash Grove Texas	100-199	Niagara LaSalle	0-99
Holcim Texas	100-199	Martech	0-99
Methodist Medical Center	100-199	Safe Tire Disposal Corporation	0-99
Texas Industries	100-199	Air Products & Chemicals	0-99

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>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Government and Administration	16.5	18	18	20	22.5	22.5	22.5	21.5	20.5	21.25
Public Safety	49	53.5	65.25	64.25	66.25	77.25	83.75	97.5	98.5	87.0
Public Works	14.5	16	15.5	19.5	18.5	18.5	18.5	17.5	16.5	14.0
Culture and Recreational	9	6.5	2.25	7.75	8.75	10.75	10.25	11.75	11.75	11.25
Water and Sewer	34	35.5	27	27	28.5	29	30.25	30.25	29.75	28.00
<i>Other Component Units:</i>										
Economic Development	2	2	2	2	2.5	2.5	2.25	2.25	3	2
Senior Citizens	2	2	2	2.5	2.5	2.5	2.5	2.5	2.5	2.25
Conference Center	-	2	2.5	2.5	3	2.75	3	2.75	2.75	3.25
Total	<u>127</u>	<u>135.5</u>	<u>134.5</u>	<u>145.5</u>	<u>152.5</u>	<u>165.75</u>	<u>173</u>	<u>186</u>	<u>185.25</u>	<u>169.00</u>

Source: City Budget

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

Table 16

Function/Program		<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Public Safety											
Police & Animal Control											
Number of Employees	b	30.50	31.50	33	33	39	42	40.75	38	33.5	34
Number of Violations (Citations)		4,200	4,284	3,439	5,401	6,465	4,507	4,408	5,703	7,456	6,076
Fire											
Number of Employees	b	18	21	27	31	31	37	43	49	49	48
Number of Fire runs		449	642	893	1,117	1,001	911	703	663	750	975
Number of EMS runs		1,308	1,468	1,456	1,605	1,725	1,461	1,821	1,908	2,000	1,634
Development Services											
Streets constructed (miles)		55.60	14.94	13.68	9.61	3.82	2.404	0.2714	0.5	0.2	0.88
# of Plats		64	46	43	62	48	28	7	14	14	26
Acreage Re-Zoned		266.13	812.12	475.34	937.26	1,731.00	573.91	92.09	0.5	121.58	377.72
Building Permits Issued		349	519	506	587	286	287	131	189	162	184
Cultural and Recreational											
Parks and Recreation											
Parks Maintained		10	10	10	10	11	11	11	11	11	11
Park maintain & operate per acre		89.00	89.00	89.00	89.00	99.00	260.00	301	457	457	457.00
Participants in Leisure Svc Programs		2,913	3,293	3,511	3,532	3,586	3,240	3,055	3,135	2,810	2,960
Library											
Volumes in Collection	c	n/a	n/a	18,793	20,618	28,339	32,425	34,970	38,068	40,254	42,543
Water											
Number of Water Consumers		3,241	3,431	3,611	3,820	4,050	3,888	3,937	4,076	4,106	4,205
Annual Water Consumption (gallons)		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	1,792,248,235	1,733,811,859
Maximum Storage Capacity (million gal.)		5	5	7	7	7	7	7	7	10	12
Wastewater											
Number of Sewer Consumers		3,184	3,494	3,819	4,219	4,599	4,619	4,647	4,766	5,030	5,084
Wastewater Treated Annally (gallons)		349,036,000	363,070,000	408,240,000	373,680,000	497,337,000	460,236,000	478,200,000	607,092,000	413,533,000	475,979,000

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

<u>Function/Program</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>	<u>2011</u>	<u>2012</u>
Public Safety										
Police Stations	1	1	1	1	1	1	1	1	1	1
Police Patrol Units	4	6	6	6	8	8	7	10	7	12
Police Motorcycle Units	2	2	2	2	2	2	1			
School Resource Officer Units							2	2	2	1
Sergeant Units							1	3	1	1
Fire Stations	1	1	1	2	2	3	3	3	3	3
Medic Units	3	3	3	3	3	4	4	4	4	4
Development Services										
Streets-Paved (miles)	101	105	111	114	116	121	133	133	134	134
Cultural and Recreational										
Parks-Developed (acres)	89	89	89	89	89	95	95	95	144	144
Parks-Undeveloped (acres)							155	362	313	313
Playgrounds	4	5	5	5	5	10	10	10	10	7
Softball/Baseball Game Fields	9	9	9	9	9	9	9	9	9	9
Softball/Baseball Practice Fields	3	3	3	3	3	4	4	4	4	4
Basketball Half Courts						3	3	3	4	4
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	4	4	4	4
Senior Center	1	1	1	1	1	1	1	1	1	1
Water and Sewer										
Water Mains (miles)	100	101.91	103.40	107.27	111	180	181	182	182	182
Fire Hydrants	500	600	700	759	914	951	955	969	983	916
Sanitary Sewers (miles)	90	98.39	100.53	117.35	120.95	125	125.83	125.83	127	127

Source: City Departments