

**MIDLOTHIAN INDEPENDENT
SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED JUNE 30, 2019**

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2019

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
CERTIFICATE OF BOARD	2	
Independent Auditors' Report	3	
Management's Discussion and Analysis	5	
 <u>Basic Financial Statements</u>		
Government Wide Statements:		
Statement of Net Position	13	A-1
Statement of Activities	15	B-1
Governmental Fund Financial Statements:		
Balance Sheet	16	C-1
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	18	C-2
Statement of Revenues, Expenditures, and Changes in Fund Balance	20	C-3
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	22	C-4
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual-General Fund	24	C-5
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Assets and Liabilities	25	E-1
Notes to the Financial Statements	26	
 <u>Required Supplementary Information</u>		
Schedule of the District's Proportionate Share of the Net Pension Liability - Teacher Retirement System of Texas	54	G-1
Schedule of District's Contributions for Pensions - Teacher Retirement System of Texas	56	G-2
Schedule of the District's Proportionate Share of the Net OPEB Liability - Teacher Retirement System of Texas	58	G-3
Schedule of District's Contributions for Other Post Employment Benefits (OPEB) - Teacher Retirement System of Texas	59	G-4
Notes to Required Supplementary Information	60	
 <u>Combining Statements</u>		
Nonmajor Governmental Funds:		
Combining Balance Sheet	64	H-1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	68	H-2
 <u>Required TEA Schedules</u>		
Schedule of Delinquent Taxes	74	J-1
Budgetary Comparison Schedule - Child Nutrition Program	76	J-2
Budgetary Comparison Schedule - Debt Service Fund	77	J-3
 <u>Federal Awards Section</u>		
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	81	
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	83	
Schedule of Findings and Questioned Costs	85	
Schedule of Status of Prior Findings	86	
Corrective Action Plan	87	
Schedule of Expenditures of Federal Awards	88	K-1
Notes on Accounting Policies for Federal Awards	89	

CERTIFICATE OF BOARD

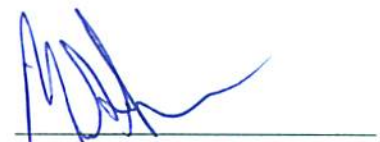
Midlothian Independent School District
Name of School District

Ellis
County

070-908
Co. - Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) ☒ approved ☐ disapproved for the year ended June 30, 2019, at a meeting of the Board of Trustees of such school district on the 21st day of October, 2019.


Signature of Board Secretary


Signature of Board President

Independent Auditor's Report

To the Board of Trustees
Midlothian Independent School District
Midlothian, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Midlothian Independent School District (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 Standard* 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Midlothian Independent School District as of June 30, 2019, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information


Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* on pages 5 through 10 and the schedules of Teacher Retirement System pension and OPEB information on pages 54 through 61 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Midlothian Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements and the required TEA schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, the required TEA schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the required TEA schedules, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2019 on our consideration of Midlothian Independent School District's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Midlothian Independent School District's internal control over financial reporting and compliance.


Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

October 8, 2019

**MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019
(UNAUDITED)**

As management of Midlothian Independent School District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2019. Please read this narrative in conjunction with the independent auditors' report on page 3, and the District's Basic Financial Statements that begin on page 13.

FINANCIAL HIGHLIGHTS

- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by (\$33,348,922) (*deficit net position*).
- The District's total net position decreased by \$9,645,343 during the current fiscal year from the result of current year operations.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$115,170,186. Approximately 16.2% of this total amount, \$18,632,523, is unassigned and available for use within the District's fund balance policies.
- At the end of the current fiscal period, unassigned fund balance of the general fund was \$18,632,523 or 22.7% of the total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 13 and 15). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 16) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District.

The notes to the financial statements (starting on page 26) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 13. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the end of the year while the Statement of Activities includes all revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting (the basis used by private sector companies).

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the district and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets and deferred inflows of resources are reported whether they serve the current year or future years. Liabilities and deferred outflows of resources are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in net position. The District's net position provides one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance, its property tax base, and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, we divide the District into two kinds of activities:

- Governmental activities—Most of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.
- Business-type activities—The District does not have any programs in which it charges a fee to “customers” to help it cover all or most of the cost of services it provides. Thus, the District had no business-type activities during the current fiscal year.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 16 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received from the U.S. Department of Education. The District's administration establishes other funds to help it control and manage money for particular purposes (like campus activities). The District's governmental funds use the following accounting approach:

Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities. The District's fiduciary activity is reported in a separate Statement of Fiduciary Assets and Liabilities on page 25. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in this fund are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The analysis below presents both current and prior year data and discusses significant changes in the accounts. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Net position of the District's governmental activities decreased from (\$23,537,054) to (\$33,348,922). Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was (\$10,700,835) at June 30, 2019.

Table I
NET POSITION

	Governmental Activities 2019	Governmental Activities 2018
Current and other assets	\$ 133,941,332	\$ 195,498,312
Capital assets, net	285,561,361	237,932,042
Total assets	419,502,693	433,430,354
Deferred outflows of resources	25,650,897	15,197,479
Total assets and deferred outflows of resources	445,153,590	448,627,833
Long-term liabilities	443,891,507	438,678,421
Other liabilities	23,402,079	20,460,344
Total liabilities	467,293,586	459,138,765
Deferred inflows of resources	11,208,926	13,026,122
Total liabilities and deferred inflows of resources	478,502,512	472,164,887
Net Position:		
Net investments in capital assets	(34,121,941)	(26,484,879)
Restricted	11,473,854	11,764,358
Unrestricted	(10,700,835)	(8,816,533)
Total Net Position	\$ (33,348,922)	\$ (23,537,054)

Table II
CHANGES IN NET POSITION

	Governmental Activities 2019	Governmental Activities 2018
Revenues:		
Program Revenues:		
Charges for services	\$ 5,636,625	\$ 3,671,092
Operating grants and contributions	8,265,316	(4,082,651)
General Revenues:		
Maintenance and operations taxes	47,013,495	43,062,070
Debt service taxes	22,602,092	20,699,238
State aid	26,593,932	27,007,570
Grants and contributions not restricted	1,026,391	1,000,000
Investment earnings	3,468,970	1,895,525
Miscellaneous	1,157,774	2,272,766
Total Revenue	<u>115,764,595</u>	<u>95,525,610</u>
Expenses:		
Instruction, curriculum and media services	53,722,346	36,914,340
Instructional and school leadership	5,536,427	3,499,780
Student support services	6,642,338	4,448,955
Child nutrition	3,914,110	3,546,877
Extracurricular activities	5,875,189	4,048,502
General administration	2,701,316	1,887,412
Plant maintenance, security and data processing	11,821,409	8,809,982
Community services	386,634	378,106
Debt services	14,699,880	13,034,572
Facilities acquisition & construction	12,057,321	178,939
Payments to Tax Increment Fund	7,537,553	7,203,531
Other intergovernmental charges	515,415	484,745
Total Expenses	<u>125,409,938</u>	<u>84,435,741</u>
Increase (decrease) in net position	(9,645,343)	11,089,869
Net position at beginning of year	(23,537,054)	4,552,626
Prior period adjustment	(166,525)	(39,179,549)
Net position at end of year	<u><u>\$(33,348,922)</u></u>	<u><u>\$(23,537,054)</u></u>

At the end of the current fiscal year, the District reports deficit balances in net investment in capital assets and in unrestricted net position, while reporting a positive balance in restricted net position. The District's net position decreased by \$9,811,868 during the current fiscal year.

The District showed an increase in revenue of 21.2%. Local tax revenues increased because of a 9.4% increase in taxable values. State Foundation revenue decreased due to higher local tax collections offset by higher average daily attendance. Operating grants and contributions are higher due to negative on-behalf support provided by the state for the OPEB plan in the prior fiscal year. Other items that affected the District's 2018-2019 activities were:

- Average daily attendance increased by 5.9%.
- The District's General Fund expenditures increased \$2.6 million. Much of this increase was due to higher personnel costs due to salary increases and new positions required by enrollment growth.
- The District's maintenance and operations (M&O) tax rate remained \$1.04 per \$100 valuation. The District's debt service tax rate remained \$0.50 per \$100 valuation.

The cost of all governmental activities for the current fiscal year was \$125,409,938. However, as shown in the Statement of Activities on page 15, the amount that our taxpayers ultimately financed for these activities through District taxes was only \$69,615,587 because some of the costs were paid by those who directly benefited from the programs (\$5,636,625) or by other governments and organizations that subsidized certain programs with grants and contributions (\$8,265,316) or by State equalization funding (\$26,593,932).

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 16) reported a combined fund balance of \$115,170,186, which is \$64,608,850 less than last year's total of \$179,779,036. Included in this year's total change in fund balance is an increase of \$197,685 in the District's General Fund, an increase of \$358,261 in the District's Debt Service Fund, and a decrease of \$64,945,837 in the Capital Projects Fund.

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in June 2018). The second category includes changes that the Board made during the year to reflect new information regarding revenue sources and expenditure needs. The principal amendments in this case were amendments to reflect additional revenues and personnel and other costs. The third category involves amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

The District's General Fund balance of \$31,893,532 reported on page 20 differs from the General Fund's budgetary fund balance of \$30,565,505 reported in the budgetary comparison schedule on page 24. This is principally due to cost savings achieved during the year based on the final amended budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2019, the District had \$285,561,361 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net increase of \$47,629,319, or 20.0 percent, more than last year.

Major capital asset additions during the year included construction in progress for a new elementary school and other construction projects.

More detailed information about the District's capital assets is presented in Note 4 to the basic financial statements.

Debt Administration

At year-end, the District had \$393,519,036 in long-term debt outstanding (including accreted interest on bonds) compared to \$404,494,585 last year—a decrease of \$10,975,549. The District issued \$37.915 million (par value) of refunding bonds during the fiscal year. The District's general obligation bond rating is AAA (as a result of guarantees of the Texas Permanent School Fund) according to national rating agencies.

More detailed information about the District's long-term liabilities is presented in Note 5 to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Total General Fund revenues are expected to be \$7.0 million higher due to significant changes to the State funding formula passed during the 2019 State legislative session. The new formula provides a significant increase in State revenue and requires a reduction in local property taxes.
- The District's General Fund expenditures are budgeted to increase approximately \$7.2 million. The largest increase is higher salaries due to salary increases required under the new State funding formula and new positions required by higher enrollment. Salary increases ranged from 3.5% to 5.5% depending on position.
- The maintenance and operations tax rate decreased from \$1.04 per \$100 valuation to \$0.97 per \$100 valuation due to rate compression required by the new State funding formula. The debt service tax rate remained \$0.50 per \$100 valuation.
- The 2019-2020 General Fund budget is balanced with both revenues and expenditures of \$89.3 million.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office at Midlothian Independent School District, 100 Walter Stephenson Road, Midlothian, Texas 75065 (972) 775-8296.

BASIC FINANCIAL STATEMENTS

This page left blank intentionally.

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019

EXHIBIT A-1

Data	Primary Government
Control	Governmental
Codes	Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 119,085,985
1220 Property Taxes - Delinquent	1,115,928
1230 Allowance for Uncollectible Taxes	(111,593)
1240 Due from Other Governments	13,701,431
1267 Due from Fiduciary Funds	10
1290 Other Receivables, Net	52,165
1300 Inventories	62,312
1410 Prepayments	35,094
Capital Assets:	
1510 Land	8,757,258
1520 Buildings, Net	212,102,502
1530 Furniture and Equipment, Net	20,337,328
1580 Construction in Progress	44,364,273
1000 Total Assets	419,502,693
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge on Bond Refundings	6,517,026
1705 Deferred Resource Outflows Related to TRS Pension	14,418,761
1706 Deferred Resource Outflows Related to TRS OPEB	4,715,110
1700 Total Deferred Outflows of Resources	25,650,897
LIABILITIES	
2110 Accounts Payable	5,447,460
2140 Accrued Interest Payable	5,635,268
2150 Payroll Deductions and Withholdings	95,704
2160 Accrued Wages Payable	7,298,316
2180 Due to Other Governments	2,345,611
2200 Accrued Expenses	2,496,312
2300 Unearned Revenue	83,408
Noncurrent Liabilities:	
2501 Due Within One Year	9,300,364
2502 Due in More Than One Year	384,218,672
2540 Net Pension Liability (District's Share)	22,534,778
2545 Net OPEB Liability (District's Share)	27,837,693
2000 Total Liabilities	467,293,586
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Resource Inflows Related to TRS Pension	2,405,977
2606 Deferred Resource Inflows Related to TRS OPEB	8,802,949
2600 Total Deferred Inflows of Resources	11,208,926
NET POSITION	
3200 Net Investment in Capital Assets	(34,121,941)
3820 Restricted for Federal and State Programs	286,437
3850 Restricted for Debt Service	11,187,417
3900 Unrestricted	(10,700,835)
3000 Total Net Position	\$ (33,348,922)

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

This page left blank intentionally.

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

EXHIBIT B-1

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	
	Expenses	Charges for Services	Operating Grants and Contributions	6 Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 51,566,518	\$ 2,167,808	\$ 4,565,561	\$ (44,833,149)
12 Instructional Resources and Media Services	1,272,162	90,243	118,698	(1,063,221)
13 Curriculum and Instructional Staff Development	883,666	763	116,850	(766,053)
21 Instructional Leadership	1,279,282	-	84,407	(1,194,875)
23 School Leadership	4,257,145	66,891	199,895	(3,990,359)
31 Guidance, Counseling and Evaluation Services	2,971,411	-	505,435	(2,465,976)
32 Social Work Services	15,000	-	15,000	-
33 Health Services	840,727	-	42,858	(797,869)
34 Student (Pupil) Transportation	2,815,200	-	739,129	(2,076,071)
35 Food Services	3,914,110	2,162,842	1,195,962	(555,306)
36 Extracurricular Activities	5,875,189	639,472	113,814	(5,121,903)
41 General Administration	2,701,316	2,191	129,419	(2,569,706)
51 Facilities Maintenance and Operations	8,590,111	135,408	353,428	(8,101,275)
52 Security and Monitoring Services	1,013,991	-	14,344	(999,647)
53 Data Processing Services	2,217,307	-	60,242	(2,157,065)
61 Community Services	386,634	371,007	10,274	(5,353)
72 Debt Service - Interest on Long-Term Debt	14,471,503	-	-	(14,471,503)
73 Debt Service - Bond Issuance Cost and Fees	228,377	-	-	(228,377)
81 Capital Outlay	12,057,321	-	-	(12,057,321)
97 Payments to Tax Increment Fund	7,537,553	-	-	(7,537,553)
99 Other Intergovernmental Charges	515,415	-	-	(515,415)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 125,409,938	\$ 5,636,625	\$ 8,265,316	(111,507,997)

Data
Control
Codes

General Revenues:

Taxes:

MT	Property Taxes, Levied for General Purposes	47,013,495
DT	Property Taxes, Levied for Debt Service	22,602,092
SF	State Aid - Formula Grants	26,593,932
GC	Grants and Contributions not Restricted	1,026,391
IE	Investment Earnings	3,468,970
MI	Miscellaneous Local and Intermediate Revenue	1,157,774
TR	Total General Revenues	101,862,654
CN	Change in Net Position	(9,645,343)
NB	Net Position - Beginning	(23,537,054)
PA	Prior Period Adjustment	(166,525)
NE	Net Position--Ending	\$ (33,348,922)

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

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

Data	10	50	60
Control	General	Debt Service	Capital
Codes	Fund	Fund	Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 28,743,860	\$ 16,810,657	\$ 72,382,093
1220 Property Taxes - Delinquent	758,802	357,126	-
1230 Allowance for Uncollectible Taxes	(75,880)	(35,713)	-
1240 Due from Other Governments	13,006,671	8,536	-
1260 Due from Other Funds	-	-	-
1290 Other Receivables	41,602	-	-
1300 Inventories	62,312	-	-
1410 Prepayments	30,809	-	-
1000 Total Assets	<u>\$ 42,568,176</u>	<u>\$ 17,140,606</u>	<u>\$ 72,382,093</u>
LIABILITIES			
2110 Accounts Payable	\$ 582,919	\$ -	\$ 4,792,357
2150 Payroll Deductions and Withholdings Payable	95,674	-	-
2160 Accrued Wages Payable	6,981,597	-	-
2170 Due to Other Funds	618	-	-
2180 Due to Other Governments	2,316,962	28,649	-
2200 Accrued Expenditures	-	-	2,496,312
2300 Unearned Revenue	13,952	-	-
2000 Total Liabilities	<u>9,991,722</u>	<u>28,649</u>	<u>7,288,669</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	682,922	321,413	-
2600 Total Deferred Inflows of Resources	<u>682,922</u>	<u>321,413</u>	<u>-</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	62,312	-	-
3430 Prepaid Items	30,809	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	65,093,424
3480 Retirement of Long-Term Debt	-	16,790,544	-
Committed Fund Balance:			
3530 Capital Expenditures for Equipment	3,167,888	-	-
3545 Other Committed Fund Balance	-	-	-
Assigned Fund Balance:			
3550 Construction	10,000,000	-	-
3600 Unassigned Fund Balance	18,632,523	-	-
3000 Total Fund Balances	<u>31,893,532</u>	<u>16,790,544</u>	<u>65,093,424</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 42,568,176</u>	<u>\$ 17,140,606</u>	<u>\$ 72,382,093</u>

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

Other Funds	Total Governmental Funds
\$ 1,149,375	\$ 119,085,985
-	1,115,928
-	(111,593)
686,224	13,701,431
7,169	7,169
10,563	52,165
-	62,312
4,285	35,094
<u>\$ 1,857,616</u>	<u>\$ 133,948,491</u>
\$ 72,184	\$ 5,447,460
30	95,704
316,719	7,298,316
6,541	7,159
-	2,345,611
-	2,496,312
69,456	83,408
<u>464,930</u>	<u>17,773,970</u>
-	1,004,335
-	1,004,335
-	62,312
-	30,809
286,437	286,437
-	65,093,424
-	16,790,544
-	3,167,888
1,106,249	1,106,249
-	10,000,000
-	18,632,523
<u>1,392,686</u>	<u>115,170,186</u>
<u>\$ 1,857,616</u>	<u>\$ 133,948,491</u>

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2019

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 115,170,186
1 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements.	402,383,562
2 Accumulated depreciation is not reported in the fund financial statements.	(116,822,201)
3 Bonds payable and capital leases payable have not been included in the fund financial statements.	(359,024,048)
4 Accreted interest payable on capital appreciation bonds has not been included in the fund financial statements.	(6,263,256)
5 Property tax revenue reported as unavailable revenue in the fund financial statements is recognized as revenue in the government-wide financial statements.	1,004,335
6 Interest on outstanding debt is accrued in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.	(5,635,268)
7 Bond premiums and discounts are not recognized in the fund financial statements.	(28,231,732)
8 Deferred charge on bond refundings is not recognized in the fund financial statements.	6,517,026
9 Included in the items related to government-wide long-term debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$22,534,778, Deferred Inflows of Resources related to TRS pension in the amount of \$2,405,977, and Deferred Outflows of Resources related to TRS pension in the amount of \$14,418,761. This results in a decrease in Net Position in the amount of \$10,521,994.	(10,521,994)
10 Included in the items related to government-wide long-term debt is the recognition of the District's proportionate share of the net Other Post-Employment Benefit (OPEB) liability required by GASB 75 in the amount of \$27,837,693, a Deferred Resource Inflow related to TRS OPEB in the amount of \$8,802,949, and a Deferred Resource Outflow related to TRS OPEB in the amount of \$4,715,110. This results in a net decrease in Net Position in the amount of \$31,925,532.	(31,925,532)
19 Net Assets of Governmental Activities	\$ (33,348,922)

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

This page left blank intentionally.

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:				
5700	Total Local and Intermediate Sources	\$ 50,360,342	\$ 22,840,551	\$ 2,376,012
5800	State Program Revenues	30,167,756	420,027	-
5900	Federal Program Revenues	1,706,418	-	-
5020	Total Revenues	82,234,516	23,260,578	2,376,012
EXPENDITURES:				
Current:				
0011	Instruction	41,488,233	-	-
0012	Instructional Resources and Media Services	981,166	-	-
0013	Curriculum and Instructional Staff Development	771,999	-	-
0021	Instructional Leadership	1,207,752	-	-
0023	School Leadership	3,949,999	-	-
0031	Guidance, Counseling and Evaluation Services	2,483,101	-	-
0032	Social Work Services	-	-	-
0033	Health Services	807,511	-	-
0034	Student (Pupil) Transportation	2,787,108	-	-
0035	Food Services	-	-	-
0036	Extracurricular Activities	3,950,086	-	-
0041	General Administration	2,562,803	-	-
0051	Facilities Maintenance and Operations	8,834,478	-	-
0052	Security and Monitoring Services	914,030	-	-
0053	Data Processing Services	1,705,945	-	-
0061	Community Services	5,353	-	-
Debt Service:				
0071	Principal on Long-Term Debt	1,425,166	4,265,107	-
0072	Interest on Long-Term Debt	109,133	17,221,541	-
0073	Bond Issuance Cost and Fees	-	228,377	-
Capital Outlay:				
0081	Facilities Acquisition and Construction	-	-	67,321,849
Intergovernmental:				
0097	Payments to Tax Increment Fund	7,537,553	-	-
0099	Other Intergovernmental Charges	515,415	-	-
6030	Total Expenditures	82,036,831	21,715,025	67,321,849
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	197,685	1,545,553	(64,945,837)
OTHER FINANCING SOURCES (USES):				
7901	Refunding Bonds Issued	-	37,915,000	-
7916	Premium or Discount on Issuance of Bonds	-	496,307	-
8949	Other (Uses)	-	(39,598,599)	-
7080	Total Other Financing Sources (Uses)	-	(1,187,292)	-
1200	Net Change in Fund Balances	197,685	358,261	(64,945,837)
0100	Fund Balance - July 1 (Beginning)	31,695,847	16,432,283	130,039,261
3000	Fund Balance - June 30 (Ending)	\$ 31,893,532	\$ 16,790,544	\$ 65,093,424

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

	Other Funds	Total Governmental Funds
\$	3,524,316	\$ 79,101,221
	1,058,338	31,646,121
	3,302,714	5,009,132
	7,885,368	115,756,474
	2,908,699	44,396,932
	90,243	1,071,409
	91,182	863,181
	27,169	1,234,921
	69,499	4,019,498
	389,934	2,873,035
	15,000	15,000
	-	807,511
	9,412	2,796,520
	3,673,764	3,673,764
	262,053	4,212,139
	2,191	2,564,994
	183,900	9,018,378
	-	914,030
	-	1,705,945
	381,281	386,634
	-	5,690,273
	-	17,330,674
	-	228,377
	-	67,321,849
	-	7,537,553
	-	515,415
	8,104,327	179,178,032
	(218,959)	(63,421,558)
	-	37,915,000
	-	496,307
	-	(39,598,599)
	-	(1,187,292)
	(218,959)	(64,608,850)
	1,611,645	179,779,036
\$	1,392,686	\$ 115,170,186

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ (64,608,850)
Current year capital asset additions are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The net effect of reclassifying the current year capital asset additions is to increase net position.	58,029,083
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position in the government-wide financial statements.	(10,182,798)
Current year long-term debt principal payments on bonds payable, capital leases payable, and payment of accreted interest are expenditures in the fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements.	9,460,166
Current year interest accretion on capital appreciation bonds is not reflected in the fund financial statements, but is shown as an increase in long-term liabilities in the government-wide financial statements.	(385,807)
Interest expense on outstanding debt is accrued in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due. The current year increase in accrued interest payable decreases net position in the government-wide financial statements.	(144,706)
Revenues from property taxes are shown as unavailable in the fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when assessed, net of an allowance for uncollectible accounts, in the government-wide financial statements.	254,841
Bond premiums and discounts are not amortized in the fund financial statements, but are reported net of amortization in the government-wide financial statements.	1,514,712
Current year amortization of the deferred charge on bond refundings is not recognized in the fund financial statements, but is shown as a reduction of the deferred charge in the government-wide financial statements.	(491,322)
Current year issuances of bonds are shown as other financing sources in the fund financial statements, but are shown as increases in long-term debt in the government-wide financial statements.	(37,915,000)
The premiums on the current year issuances of bonds are recorded as other financing sources in the fund financial statements, but are shown as an increase in long-term debt in the government-wide financial statements.	(496,307)
The current year payment to the escrow agent for defeased debt is an other financing use in the fund financial statements, but is reported as a reduction in long-term debt in the government-wide financial statements.	38,195,000
The net book value of capital assets disposed of is not recorded in the fund financial statements.	(216,966)

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

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

EXHIBIT C-4

The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. TRS contributions made after the measurement date of 8/31/2018 caused the change in the ending net position to increase \$126,056. These contributions were replaced with the District's pension expense for the year of \$2,191,782, which caused a decrease in the change in net position. The net effect of both of these is to decrease the change in net position by \$2,065,726. (2,065,726)

The implementation of GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. TRS OPEB contributions made after the measurement date of 8/31/2018 but during the current fiscal year caused the ending net position to increase in the amount of \$23,330. These contributions were replaced with the District's OPEB expense for the year, which was \$614,993 which caused a decrease in net position. The net effect of both of these is to decrease the change in net position by \$591,663. (591,663)

Change in Net Assets of Governmental Activities

\$ (9,645,343)

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 49,068,930	\$ 50,309,347	\$ 50,360,342	\$ 50,995
5800	State Program Revenues	29,422,097	30,298,251	30,167,756	(130,495)
5900	Federal Program Revenues	787,000	1,662,500	1,706,418	43,918
5020	Total Revenues	79,278,027	82,270,098	82,234,516	(35,582)
EXPENDITURES:					
Current:					
0011	Instruction	41,099,371	41,792,840	41,488,233	304,607
0012	Instructional Resources and Media Services	1,041,685	1,052,704	981,166	71,538
0013	Curriculum and Instructional Staff Development	845,058	847,146	771,999	75,147
0021	Instructional Leadership	1,226,007	1,274,565	1,207,752	66,813
0023	School Leadership	3,927,153	3,999,700	3,949,999	49,701
0031	Guidance, Counseling and Evaluation Services	2,545,335	2,596,176	2,483,101	113,075
0033	Health Services	841,796	826,690	807,511	19,179
0034	Student (Pupil) Transportation	2,074,280	2,842,978	2,787,108	55,870
0036	Extracurricular Activities	3,663,274	3,976,909	3,950,086	26,823
0041	General Administration	2,583,146	2,653,975	2,562,803	91,172
0051	Facilities Maintenance and Operations	7,967,166	9,138,297	8,834,478	303,819
0052	Security and Monitoring Services	885,689	998,989	914,030	84,959
0053	Data Processing Services	1,754,108	1,744,071	1,705,945	38,126
0061	Community Services	-	6,087	5,353	734
Debt Service:					
0071	Principal on Long-Term Debt	1,534,299	1,484,299	1,425,166	59,133
0072	Interest on Long-Term Debt	61,460	111,460	109,133	2,327
Intergovernmental:					
0097	Payments to Tax Increment Fund	6,703,200	7,537,554	7,537,553	1
0099	Other Intergovernmental Charges	525,000	516,000	515,415	585
6030	Total Expenditures	79,278,027	83,400,440	82,036,831	1,363,609
1200	Net Change in Fund Balances	-	(1,130,342)	197,685	1,328,027
0100	Fund Balance - July 1 (Beginning)	31,695,847	31,695,847	31,695,847	-
3000	Fund Balance - June 30 (Ending)	\$ 31,695,847	\$ 30,565,505	\$ 31,893,532	\$ 1,328,027

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

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2019

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 904,904
Total Assets	<u>\$ 904,904</u>
LIABILITIES	
Accounts Payable	\$ 36,680
Due to Other Funds	10
Due to Student Groups	868,214
Total Liabilities	<u>\$ 904,904</u>

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

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Midlothian Independent School District's (the "District") combined financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide (FAR). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

A. REPORTING ENTITY

The Board of Trustees, a seven member group, has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of the District. The board of trustees is elected by the public. The trustees as a body corporate have the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (Agency) or to the State Board of Education are reserved for the trustees, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the trustees. The District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards.

The District's basic financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

Based on the aforementioned criteria, Midlothian Independent School District has no component units.

B. BASIS OF PRESENTATION

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support. The District had no business-type activities.

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.

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

Fund Financial Statements:

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. 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 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 District has presented the following major governmental funds:

1. **General Fund** - This fund is established to account for resources financing the fundamental operations of the District, in partnership with the community, in enabling and motivating students to reach their full potential. All revenues and expenditures not required to be accounted for in other funds are included here. This is a budgeted fund and any fund balances are considered resources available for current operations. Fund balances may be appropriated by the Board of Trustees to implement its responsibilities.
2. **Debt Service Fund** - This fund is established to account for payment of principal and interest on long-term general obligation debt and other long-term debts for which a tax has been dedicated. This is a budgeted fund. Any unused debt service fund balances are transferred to the General Fund after all of the related debt obligations have been met.
3. **Capital Projects Fund** - This fund is established to account for proceeds, from the sale of bonds and other resources to be used for Board authorized acquisition, construction, or renovation, as well as, furnishings and equipping of major capital facilities. Upon completion of a project, any unused bond proceeds are transferred to the Debt Service Fund and are used to retire related bond principal.

Additionally, the District reports the following fund types:

1. **Special Revenue Funds** - These funds are established to account for federally financed or expenditures legally restricted for specified purposes. In many special revenue funds, any unused balances are returned to the grantor at the close of specified project periods. For funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.
2. **Agency Funds** - These custodial funds are used to account for activities of student groups and other organizational activities requiring clearing accounts. Financial resources for the Agency funds are recorded as assets and liabilities; therefore, these funds do not include revenues and expenditures and have no fund equity. If any unused resources are declared surplus by the student groups, they are transferred to the General Fund with a recommendation to the Board for an appropriate utilization through a budgeted program.

C. MEASUREMENT FOCUS/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.

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and deferred outflows of resources; and liabilities (whether current or non-current) and deferred inflows of resources are included in the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned and 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 District considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS-Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS-Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

The revenues susceptible to accrual are property taxes, charges for services, interest income and intergovernmental revenues. All other Governmental Fund Type revenues are recognized when received.

Revenues from state and federal grants are recognized as earned when the related program expenditures are incurred. Funds received but unearned are reflected as unearned revenues, and funds expended but not yet received are shown as receivables.

Revenue from investments, including governmental external investment pool, is based upon fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Most investments are reported at amortized cost when the investments have remaining maturities of one year or less at time of purchase. External investment pool are permitted to report short-term debt investments at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer, or other factors. For that purpose, a pool's short-term investments are those with remaining maturities of up to ninety days.

**MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

In accordance with the FAR, the District has adopted and installed an accounting system which exceeds the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure presented in the Accounting Code Section of the FAR.

D. BUDGETARY CONTROL

Formal budgetary accounting is employed for all required Governmental Fund Types, as outlined in TEA's FAR module, and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles. The budget is prepared and controlled at the function level within each organization to which responsibility for controlling operations is assigned.

The official school budget is prepared for adoption for required Governmental Fund Types prior to June 20 of the preceding fiscal year for the subsequent fiscal year beginning July 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given. The budget is prepared by fund, function, object, and organization. The budget is controlled at the organizational level by the appropriate department head or campus principal within Board allocations. Therefore, organizations may transfer appropriations as necessary without the approval of the board unless the intent is to cross fund, function or increase the overall budget allocations. Control of appropriations by the Board of Trustees is maintained within Fund Groups at the function code level and revenue object code level.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, the Debt Service Fund and the Food Service Fund. The other special revenue funds adopt project-length budgets which do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting. The budget is amended throughout the year by the Board of Trustees. Such amendments are reflected in the official minutes of the Board.

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

<u>June 30, 2019</u> <u>Fund Balance</u>	
Appropriated Budget Funds - Food Service Special Revenue Fund	\$ 285,324
Nonappropriated Budget Funds	<u>1,107,362</u>
All Special Revenue Funds	<u>\$1,392,686</u>

E. ENCUMBRANCE ACCOUNTING

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at June 30 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget. The District had no material encumbrances outstanding at June 30, 2019.

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

F. PREPAYMENTS

Prepayments represent payments made by the District in the current year to provide services occurring in the subsequent fiscal year.

G. INVENTORIES

The consumption method is used to account for inventories of paper and other supplies. Under this method, these items are carried in an inventory account of the respective fund at cost, using the first-in, first-out method of accounting and are subsequently charged to expenditures when consumed.

H. INTERFUND RECEIVABLES AND PAYABLES

Short-term amounts owed between funds are classified as "Due to/from other funds". Interfund loans are classified as "Advances to/from other funds" and are offset by a fund balance reserve account.

I. CAPITAL ASSETS

Capital assets, which includes property, plant, equipment, and infrastructure assets, are reported in the applicable governmental activities columns in the government-wide financial statements. 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 market 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 property, plant and equipment.

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 and Improvements	15-40 Years
Furniture and Equipment	5-20 Years

J. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows and inflows of resources are reported in the statement of financial position as described below:

A *deferred outflow of resources* is a consumption of a government's net assets (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The District has three items that qualify for reporting in this category:

Deferred outflows of resources for refunding - Reported in the government-wide statement of net position, the deferred charge on bond refundings results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The amount of deferred outflows reported in the governmental activities for the deferred charge on bond refundings at June 30, 2019 was \$6,517,026.

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

Deferred outflows of resources for pension - Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between expected and actual actuarial experiences. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan which is currently approximately 6.7 years.

A deferred outflow for pension expense also results from payments made to the TRS pension plan by the District after the plan's measurement date. The total amount of deferred outflows reported in the governmental activities for deferred pension expenses at June 30, 2019 was \$14,418,761.

Deferred outflows of resources for OPEB- Reported in the government-wide financial statement of net position, this deferred outflow results from OPEB plan contributions made after the measurement date of the net OPEB liability and the results of differences between expected and actual investment earnings and changes in proportionate share. The deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year. The other OPEB related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the OPEB plan which is currently approximately 8.6 years. The amount of deferred outflows reported in the governmental activities for deferred OPEB expenses at June 30, 2019 was \$4,715,110.

A deferred inflow of resources is an acquisition of a government's net assets (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The District has three items that qualify for reporting in this category:

Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District reported property taxes that are unavailable as deferred inflows of resources in the fund financial statements. The amount of deferred inflows of resources reported in the governmental funds at June 30, 2019 was \$1,004,335.

Deferred inflows of resources for pension - Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between projected and actual earnings on pension plan investments. These amounts will be amortized over a closed five year period. In fiscal year 2019, the District reported deferred inflows of resources for pensions in the governmental activities in the amount of \$2,405,977.

Deferred inflows of resources for OPEB - Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between expected and actual experience and from changes in assumptions. These amounts will be amortized over the average expected remaining service life (AERSL) of all members (8.6 years for the 2018 measurement year). In fiscal year 2019, the District reported deferred inflows of resources for OPEB in the governmental activities in the amount of \$8,802,949.

**MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

K. COMPENSATED ABSENCES

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

L. CASH EQUIVALENTS

Investments are considered to be cash equivalents if they are highly liquid and have a maturity of three months or less when purchased.

M. NET POSITION

Net position represents the difference between assets and deferred outflows of resources; and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciations, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

When both restricted and unrestricted net position is available, restricted net position is expended before unrestricted net position if such use is consistent with the restricted purpose.

N. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expenses when incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

O. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2019, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

P. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2. FUND BALANCES

The District 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.

Fund Balance Classification: The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has classified inventories and prepaid items as being nonspendable as these items are not expected to be converted to cash.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the District's bonded debt and are restricted through debt covenants. Capital projects resources are restricted for future capital outlay. Food Service fund balance and State Textbook fund balance are restricted because the use is restricted pursuant to the mandates of the respective grants.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's Board of Trustees. The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This can also be done through adoption and amendment of the budget. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Board of Trustees has committed General Fund fund balance for future capital lease payments and other equipment purchases. The Board of Trustees has also committed resources as of June 30, 2019 for campus activities and other local special revenue funds.
- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Trustees or through the Board of Trustees delegating this responsibility to other individuals in the District. Under the District's adopted policy, only the Board of Trustees may assign amounts for specific purposes. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The District has assigned fund balance of the General Fund as of June 30, 2019 for future construction.
- Unassigned: This classification includes all amounts not included in other spendable classifications, including the residual fund balance of the General Fund.

**MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 16) and are described below:

General Fund

The General Fund has unassigned fund balance of \$18,632,523 at June 30, 2019. Inventories of \$62,312 and prepaid items of \$30,809 are considered nonspendable fund balance. The Board of Trustees has committed \$3,167,888 of fund balance for future capital lease payments and other equipment purchases and has assigned \$10,000,000 of fund balance for future construction.

Debt Service Fund

The Debt Service Fund has restricted funds of \$16,790,544 at June 30, 2019 consisting primarily of property tax collections that are restricted for debt service payments on bonded debt.

Capital Projects Fund

The Capital Projects Fund has restricted funds of \$65,093,424 at June 30, 2019 consisting primarily of remaining bond issuance proceeds that are restricted for construction and other capital outlay expenditures.

Other Funds

The fund balance of \$759,777 of the Campus Activity Fund and \$346,472 of other local funds (special revenue funds) are shown as committed due to Board policy committing those funds to campus activities and other local activities. The fund balance of \$285,324 in the Food Service Fund and \$1,113 in the State Textbook Fund (special revenue funds) are shown as restricted for those respective grant programs.

NOTE 3. DEPOSITS AND INVESTMENTS

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

1. Cash Deposits:

At June 30, 2019, the carrying amount of the District's deposit checking accounts and interest-bearing demand accounts was \$1,650,325 and the bank balance was \$5,781,189. The District's cash deposits at June 30, 2019 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name. District cash deposits were fully covered by FDIC insurance or by pledged collateral throughout the fiscal year.

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

2. Investments:

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy addresses the following risks:

- a. Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2019, the District's cash deposits totaled \$5,781,189. This entire amount was either collateralized with securities held by the District's agent or covered by FDIC insurance. Thus, the District's deposits are not exposed to custodial credit risk.
- b. Custodial Credit Risk - Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2019, the District held investments in two public funds investment pools. Investments in external investment pools are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. The District also has invested in a certificate of deposit. The bank that issued the certificate of deposit has collateralized the certificate with an irrevocable letter of credit issued to the District.
- c. Credit Risk: This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for both investment pools at year-end was AAAM (Standard & Poor's). The certificate of deposit is collateralized by an irrevocable letter of credit.
- d. Interest Rate Risk: This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for each investment pool is less than 90 days.
- e. Foreign Currency Risk: This is the risk that exchange rates will adversely affect the fair value of an investment. At June 30, 2019, the District was not exposed to foreign currency risk.

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

- f. **Concentration of Credit Risk:** This is the risk of loss attributed to the magnitude of the District's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. The District's investments in public funds investment pools are not subject to the concentration risk.

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

The District's investments at June 30, 2019, are shown below:

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>
TexPool Investment Pool	\$105,223,286	\$105,223,286
Lone Star Investment Pool	13,117,078	13,117,078
Total	<u>\$118,340,364</u>	<u>\$118,340,364</u>

Fair Value Measurements

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgement and considers factors specific to each asset or liability.

The District's investment in Pools are not required to be measured at fair value but are measured at amortized cost.

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows:

	Balance July 1	Additions/ Completions	Retirement/ Adjustments	Balance June 30
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 8,445,947	\$ 311,311	\$ -	\$ 8,757,258
Construction in progress	11,904,574	54,469,581	(22,009,882)	44,364,273
Total capital assets not being depreciated	20,350,521	54,780,892	(22,009,882)	53,121,531
Capital assets, being depreciated				
Buildings and improvements	301,986,592	18,145,191	(1,585,107)	318,546,676
Furniture and equipment	16,713,128	6,199,678	(989,202)	21,923,604
Vehicles	9,038,375	913,204	(1,159,828)	8,791,751
Total capital assets being depreciated	327,738,095	25,258,073	(3,734,137)	349,262,031
Less accumulated depreciation for:				
Buildings and improvements	(99,840,140)	(8,056,162)	1,452,128	(106,444,174)
Furniture and equipment	(5,811,334)	(1,428,767)	924,527	(6,315,574)
Vehicles	(4,505,100)	(697,869)	1,140,516	(4,062,453)
Total accumulated depreciation	(110,156,574)	(10,182,798)	3,517,171	(116,822,201)
Total capital assets, being depreciated, net	217,581,521	15,075,275	(216,966)	232,439,830
Governmental activities capital assets, net	\$237,932,042	\$69,856,167	\$ (22,226,848)	\$285,561,361

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

Governmental activities:	
Instruction	\$ 5,595,962
Instructional Resources & Media Services	165,614
School Leadership	84,744
Guidance, Counseling & Evaluation Services	8,859
Student Transportation	639,370
Food Services	536,679
Cocurricular/Extracurricular Activities	1,675,305
General Administration	51,646
Plant Maintenance and Operations	821,233
Security & Monitoring Services	88,844
Data Processing Services	514,542
Total depreciation expense-Governmental activities	\$10,182,798

NOTE 5. LONG-TERM DEBT

Long-term debt includes par bonds, capital appreciation (deep discount) serial bonds, and capital leases payable. All long-term debt represents transactions in the District's governmental activities.

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas (SID), which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

**MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

The following is a summary of the changes in the District's Long-term Debt for the year ended June 30, 2019:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Original Issue</u>	<u>Amounts Outstanding 7/1/2018</u>	<u>Issued Current Year</u>	<u>Interest Accretion</u>	<u>Retired/ Refunded</u>	<u>Amounts Outstanding 6/30/2019</u>	<u>Due Within One Year</u>
Bonded Indebtedness:								
2010 Refunding Bonds	2.00-5.00%	51,989,573	\$ 47,882,359	\$ -	\$ -	\$ 327,359	\$ 47,555,000	\$1,360,000
2011-A School Bldg. Bonds	4.00-5.27%	26,800,000	26,515,000	-	-	155,000	26,360,000	160,000
2011-C Refunding Bonds	0.90-4.00%	5,811,436	5,150,000	-	-	175,000	4,975,000	170,000
2012 Refunding Bonds	1.35-300%	7,259,428	7,093,893	-	-	125,505	6,968,388	85,243
2013-A Refunding Bonds	0.92-5.00%	56,357,641	55,250,000	-	-	2,400,000	52,850,000	2,625,000
2013-B Refunding Bonds	0.30-5.00%	12,810,000	7,595,000	-	-	255,000	7,340,000	295,000
2013-C Refunding Bonds	Variable	48,905,000	47,915,000	-	-	1,400,000	46,515,000	-
2014 School Bldg. Bonds	3.00-4.00%	19,385,000	19,005,000	-	-	820,000	18,185,000	355,000
2014-A Refunding Bonds	0.88-4.00%	9,302,337	9,065,229	-	-	7,243	9,057,986	2,403
2017-A School Bldg. Bonds	2.00-4.00%	26,740,000	24,900,000	-	-	-	24,900,000	-
2017-B School Bldg. Bonds	Variable	39,925,000	38,195,000	37,915,000	-	38,195,000	37,915,000	-
2018 School Bldg. Bonds	4.00-5.00%	73,445,000	73,445,000	-	-	-	73,445,000	-
Total Bonded Indebtedness:			<u>362,011,481</u>	<u>37,915,000</u>	<u>-</u>	<u>43,860,107</u>	<u>356,066,374</u>	<u>5,052,646</u>
Other Direct Obligations:								
Accreted Interest -								
Capital Appreciation Bonds			8,247,342	-	385,807	2,369,893	6,263,256	1,272,354
Bond Premiums			29,852,922	496,307	-	2,117,497	28,231,732	1,514,712
Capital Leases Payable	2.30%	6,503,095	4,382,840	-	-	1,425,166	2,957,674	1,460,652
Total Other Obligations:			<u>42,483,104</u>	<u>496,307</u>	<u>385,807</u>	<u>5,912,556</u>	<u>37,452,662</u>	<u>4,247,718</u>
Total Obligations of District			<u>\$404,494,585</u>	<u>\$38,411,307</u>	<u>\$ 385,807</u>	<u>\$49,772,663</u>	<u>\$393,519,036</u>	<u>\$9,300,364</u>

Presented below is a summary of general obligation bond requirements to maturity:

<u>Year Ended June 30,</u>	<u>General Obligation</u>		<u>Total Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2020	\$ 5,052,646	\$ 16,372,784	\$ 21,425,430
2021	5,373,728	16,585,886	21,959,614
2022	7,540,000	15,472,661	23,012,661
2023	8,575,000	15,179,282	23,754,282
2024	8,925,000	14,838,182	23,763,182
2025-2029	51,190,000	67,928,408	119,118,408
2030-2034	64,875,000	54,525,099	119,400,099
2035-2039	48,390,000	53,382,700	101,772,700
2040-2044	57,265,000	29,588,950	86,853,950
2045-2049	57,785,000	14,524,200	72,309,200
2050-2053	41,095,000	3,226,300	44,321,300
	<u>\$356,066,374</u>	<u>\$301,624,452</u>	<u>\$657,690,826</u>

The 2010, 2011-A, 2012, and 2014-A bond series include Capital Appreciation Bonds. No interest is paid on these bonds prior to maturity. The bonds mature variously between 2020 and 2036. Interest accrues on these bonds each semi-annually even though the interest is not paid until maturity.

General Obligation Bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the District. General Obligation Bonds require the District to compute, at the time taxes are levied, the rate of tax required to provide (in each year bonds are outstanding) a fund to pay interest and principal at maturity. The District is in compliance with this requirement.

There are a number of limitations and restrictions contained in the various general obligation bonds indentures. The District is in compliance with all significant limitations and restrictions at June 30, 2019.

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 6. DEBT ISSUANCES, DEBT REFUNDING AND DEFEASED BONDS OUTSTANDING

In January 2019, the District advance refunded \$1,400,000 (par value) of bonds by paying \$1,403,599 into an irrevocable escrow account from existing District funds. No refunding bonds were issued. All future payments on the refunding bonds will be paid from the escrow account. The refunded bonds will be redeemed in August 2019, the call date of the bonds. In February 2017, the District advance refunded \$990,000 (par value) of bonds which will be redeemed in August 2019, the call date of the bonds.

In August 2018, the District remarketed the Series 2017-B variable rate bonds. The remarketing reduced the par amount outstanding from \$38,915,000 (par value), to \$37,915,000 (par value). The premium on the new bonds issued amounted to \$496,307.

The District's deferred charges on bond refundings are as follows:

Balance – June 30, 2018	\$ 7,611,133
Current year deferred gain on bond refunding	(602,785)
Current year amortization	<u>(491,322)</u>
Balance – June 30, 2019	<u>\$ 6,517,026</u>

NOTE 7. CAPITAL LEASES PAYABLE

The District has entered into a financing agreement involving equipment pursuant to Section 4 of Article 2358 A.2 of the Texas Education Code, which has been classified as a capital lease and has an interest rate of 2.30%. The current servicing of the capital lease is accounted for in the General Fund.

The following is a schedule by year of the future minimum lease payments under capital leases together with the present value of net minimum future lease payments as of June 30, 2019:

<u>Years Ending June 30,</u>	<u>Annual Lease Payments</u>
2020	\$1,534,298
2021	<u>1,534,298</u>
Total future minimum lease payments	3,068,596
Less: Amount representing interest	<u>110,922</u>
Present value of net minimum lease payments	<u>\$2,957,674</u>

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 8. PROPERTY TAXES

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 on the assessed (appraised) value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll upon which the levy for the 2018-19 fiscal year was based was \$4,619,229,379. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to both penalty and interest charges plus 15 % delinquent collection fees for attorney costs.

The tax rates assessed for the year ended June 30, 2019, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.04 and \$0.50 per \$100 valuation, respectively, for a total of \$1.54 per \$ 100 valuation.

Current tax collections for the year ended June 30, 2019 were 99.34% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of June 30, 2019, property taxes receivable, net of estimated uncollectible taxes, totaled \$682,922 and \$321,413 for the General and Debt Service Funds, respectively.

Property taxes are recorded as receivables and unavailable revenue at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes are collected.

NOTE 9. DEFINED BENEFIT PENSION PLAN

Plan Description. Midlothian Independent School District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Pension Plan Fiduciary Net Position. Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.texas.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

Benefits Provided. TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

Contributions. Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 85th Texas Legislature, General Appropriations Act (GAA) affirmed that the employer contribution rates for fiscal years 2018 and 2019 would remain the same.

	<u>Contribution Rates</u>	
	<u>2018</u>	<u>2019</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Midlothian ISD FY2019 Employer Contributions	\$	1,490,880
Midlothian ISD FY2019 Member Contributions	\$	3,927,273
Midlothian ISD 2019 NECE On-Behalf Contributions	\$	2,573,969

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding source or a privately sponsored source, from non-educational and general, or local funds.

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to.

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

Actuarial Assumptions. The total pension liability in the August 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.907%
Long-term expected Investment Rate of Return	7.25%
Inflation	2.30%
Salary Increases Including Inflation	3.05% to 9.50%
Payroll Growth Rate	2.50%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2017 and adopted in July, 2018.

The single discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25 percent and a municipal bond rate of 3.69 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018 are summarized below:

**MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
Global Equity			
U.S.	18%	5.7%	1.0%
Non-U.S. Developed	13%	6.9%	0.9%
Emerging Markets	9%	8.9%	0.8%
Directional Hedge Funds	4%	3.5%	0.1%
Private Equity	13%	10.2%	1.3%
Stable Value			
U.S. Treasuries	11%	1.1%	0.1%
Absolute Return	0%	-	-
Stable Value Hedge Funds	4%	3.1%	0.1%
Cash	1%	-0.3%	-
Real Return			
Global Inflation Linked Bonds	3%	0.7%	-
Real Assets	14%	5.2%	0.7%
Energy and Natural Resources	5%	7.5%	0.4%
Commodities	0%	-	-
Risk Parity			
Risk Parity	5%	3.7%	0.2%
Inflation Expectation			2.3%
Volatility Drag	0%		-0.8%
Total	100%		7.2%

* The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (6.907%) in measuring the Net Pension Liability.

	1% Decrease in Discount Rate (5.907%)	Discount Rate (6.907%)	1% Increase in Discount Rate (7.907%)
Midlothian ISD's proportionate share of the net pension liability:	\$ 34,010,384	\$ 22,534,778	\$ 13,244,595

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2019, Midlothian Independent School District reported a liability of \$22,534,778 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Midlothian Independent School District. The amount recognized by Midlothian Independent School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Midlothian Independent School District were as follows:

District's Proportionate share of the collective net pension liability	\$22,534,778
State's proportionate share that is associated with the District	<u>39,670,943</u>
Total	<u>\$62,205,721</u>

The net pension liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2017 rolled forward to August 31, 2018. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2017 thru August 31, 2018.

At August 31, 2018 the employer's proportion of the collective net pension liability was 0.0409407%, an increase of 8.78% from its proportionate share of 0.0376374% at August 31, 2017.

**MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Changes Since the Prior Actuarial Valuation – The following were changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

- The Total Pension Liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants were updated based on the same experience study.
- The discount rate changed from 8.0 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018.
- The long-term assumed rate of return changed from 8.0 percent to 7.25 percent.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the Net Pension Liability.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

For the year ended June 30, 2019, Midlothian Independent School District recognized pension expense of \$2,426,459 and revenue of \$2,426,459 for support provided by the State.

At June 30, 2019, Midlothian Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 140,463	\$ 552,914
Changes in actuarial assumptions	8,124,873	253,902
Difference between projected and actual investment earnings	1,171,116	1,598,698
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	3,720,965	463
Contributions paid to TRS subsequent to the measurement date	1,261,344	-
Total	\$14,418,761	\$2,405,977

\$1,261,344 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Pension Expense Amount
2020	\$ 2,783,907
2021	1,884,086
2022	1,634,310
2023	1,817,285
2024	1,627,660
Thereafter	1,004,192

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 10. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Plan Description. The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS- Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

OPEB Plan Fiduciary Net Position. Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided. TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for a retiree with and without Medicare coverage.

TRS-Care Monthly for Retirees		
	<u>Medicare</u>	<u>Non-Medicare</u>
January 1, 2018 thru December 31, 2018		
Retiree*	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1,020	999

* or surviving spouse

Contributions. Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .75% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Contribution Rates</u>	
	<u>2018</u>	<u>2019</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
Midlothian ISD FY19 Employer Contributions		\$400,453
Midlothian ISD FY19 Member Contributions		\$331,525
Midlothian ISD 2019 NECE On-behalf Contributions		\$588,460

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to, regardless of whether or not they participate in the TRS Care OPEB program. When employers hire a TRS retiree, they are required to pay to TRS Care, a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$182.6 million in fiscal year 2018. The 85th Texas Legislative House Bill 30 provided an additional \$212 million one-time, supplemental funding for the FY 2018-19 biennium to continue to support the program. This was also received in FY 2018 bringing the total appropriations received in fiscal year 2018 to \$394.6 million.

The total OPEB liability in the August 31, 2017 was rolled forward to August 31, 2018. The actuarial valuation was determined using the following actuarial assumptions. The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation was rolled forward to August 31, 2018:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability	

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.69%
Aging Factors	Based on specific plan experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim costs
Payroll Growth Rate	2.50%
Projected Salary Increases	3.05% to 9.05%, including inflation
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad hoc post-employment benefit changes	None

**MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Discount Rate. A single discount rate of 3.69% was used to measure the total OPEB liability. There was a change of .27 percent in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.69%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.69%)	Current Single Discount Rate (3.69%)	1% Increase in Discount Rate (4.69%)
District’s proportionate share of the Net OPEB Liability:	\$33,136,414	\$27,837,693	\$23,646,058

Healthcare Cost Trend Rates Sensitivity Analysis - The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the OPEB liability would be if it were calculated using a trend rate that is one-percentage lower or one-percentage point higher than the assumed healthcare cost trend rate:

	1% Decrease (7.5%)	Current Healthcare Cost Trend Rate (8.5%)	1% Increase (9.5%)
District’s proportionate share of the Net OPEB Liability:	\$23,119,659	\$27,837,693	\$34,051,451

OPEB Liabilities, OPEB Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At June 30, 2019, the District reported a liability of \$27,837,693 for its proportionate share of the TRS’s Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District.

The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District’s Proportionate share of the collective Net OPEB Liability	\$27,837,693
State’s proportionate share that is associated with the District	<u>42,330,975</u>
Total	<u>\$70,168,668</u>

The Net OPEB Liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer’s proportion of the Net OPEB Liability was based on the employer’s contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2017 thru August 31, 2018.

At August 31, 2018 the employer’s proportion of the collective Net OPEB Liability was 0.05575242%, an increase of 8.6% compared to the August 31, 2017 proportionate share of 0.05131726%.

**MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Changes Since the Prior Actuarial Valuation – The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period:

- The total OPEB liability as of August 31, 2018 was developed using the roll forward method of the August 31, 2017 valuation.
- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the total OPEB liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the total OPEB liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the total OPEB liability.
- The discount rate changed from 3.42 percent as of August 31, 2017 to 3.69 percent, as of August 31, 2018. This change lowered the total OPEB liability \$2.3 billion.

The following are changes of benefit terms that affected measurement of the Total OPEB liability during the measurement period. The 85th Legislature, Regular Session, passed the following statutory changes in House Bill 3976 which became effective on September 1, 2017:

- Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.
- Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants.
- Allowed the System to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period.
- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums.

For the year ended June 30, 2019, the District recognized OPEB expense of \$584,021 and revenue of \$584,021 for support provided by the State.

At June 30, 2019, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$1,477,243	\$ 439,320
Changes in actuarial assumptions	464,536	8,363,629
Difference between projected and actual investment earnings	4,868	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2,431,740	-
Contributions paid to TRS subsequent to the measurement date	336,723	-
Total	\$4,715,110	\$8,802,949

The net amounts of the employer's balance of deferred outflows and inflows of resources (not including the deferred contributions paid subsequent to the measurement date) related to OPEB will be recognized in OPEB expense as follows:

**MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Year ended June 30:	OPEB Expense Amount
2020	\$ (793,119)
2021	(793,119)
2022	(791,119)
2023	(794,039)
2024	(794,566)
Thereafter	(456,600)

NOTE 11. MEDICARE PART D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care receives drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended June 30, 2019, 2018 and 2017, the subsidy payments received by TRS-Care on behalf of the District were \$185,984, \$142,074 and \$141,947, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statement of the District.

NOTE 12. HEALTH CARE

During the year ended June 30, 2019, employees of Midlothian Independent School District were covered by a health insurance plan (the Plan). The District contributed \$275 per month per employee to the Plan and employees, at their option, authorized payroll withholdings to pay any additional contribution and contributions for dependents. All contributions were paid to a fully insured plan.

NOTE 13. WORKERS COMPENSATION

During the year ended June 30, 2019, the District met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members' injured employees.

The District participates in the Fund's reimbursable aggregate deductible program. As such, the member is responsible for a certain amount of claims liability as outlined on the member's Contribution and Coverage Summary document. After the member's deductible has been met, the Fund is responsible for additional claims liability. The District's 2019 deductible was \$205,966.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$2.0 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2018, the Fund carries a discounted reserve of \$48,977,531 for future development on reported claims and claims that have been incurred but not yet reported. For the year-ended June 30, 2019, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions and reimbursable aggregate deductibles.

The Fund engages the services of independent auditors to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2018, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

**MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 16. LITIGATION AND CONTINGENCIES

The District participates in numerous state and Federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at June 30, 2019 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 17. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

During the year ended June 30, 2019, revenues from local and intermediate sources in the fund financial statements consisted of the following:

	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total
Property Taxes	\$41,480,759	\$ -	\$22,453,823	\$ -	\$63,934,582
Property Taxes – TIF	5,226,037	-	-	-	5,226,037
TIF Payment	1,026,391	-	-	-	1,026,391
Food Sales	-	2,162,422	-	-	2,162,422
Investment Income	732,322	39,258	321,378	2,376,012	3,468,970
Penalties, interest and other tax related income	134,854	-	65,273	-	200,127
Co-curricular student activities	335,444	919,672	-	-	1,255,116
Other	1,424,535	402,964	77	-	1,827,576
Total	<u>\$50,360,342</u>	<u>\$3,524,316</u>	<u>\$22,840,551</u>	<u>\$2,376,012</u>	<u>\$79,101,221</u>

NOTE 18. UNEARNED REVENUE

Unearned revenue at June 30, 2019 consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Total
Season Tickets	\$ 3,600	\$ -	\$ -	\$ 3,600
Student Fees	10,352	825	-	11,177
National Breakfast & Lunch Program	-	68,631	-	68,631
	<u>\$13,952</u>	<u>\$69,456</u>	<u>\$ -</u>	<u>\$83,408</u>

NOTE 19. CONSTRUCTION COMMITMENTS

As of June 30, 2019, the District had entered into contracts for various construction and renovation projects totaling \$97.9 million. At June 30, 2019, there was \$49.2 million remaining costs under these contracts. These projects are to be paid from the Capital Projects Fund.

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

Changes in workers compensation claims liability amounts in fiscal year 2019 and 2018 are presented below:

Fiscal Year	July 1 Claims Liability	Claims and Changes in Estimates	Claims Payments	June 30 Claims Liability
2019	\$150,248	\$ 57,985	\$123,715	\$ 84,518
2018	247,157	(11,588)	85,321	150,248

NOTE 14. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation, Per Capita, Existing Debt Allotment, and Instruction Facilities Allotment Programs. Amounts due from federal and state governments as of June 30, 2019, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

Fund	State Entitlements	Federal Grants	Local Governments	Total
General	\$11,980,280	\$ -	\$1,026,391	\$13,006,671
Special Revenue	341,025	345,199	-	686,224
Debt Service	8,536	-	-	8,536
Total	<u>\$12,329,841</u>	<u>\$ 345,199</u>	<u>\$1,026,391</u>	<u>\$13,701,431</u>

NOTE 15. INTERFUND BALANCES AND ACTIVITIES

Interfund receivables and payables at June 30, 2019 represented short-term advances between funds. These amounts are expected to be repaid in less than one year from June 30, 2019.

Fund	Due from Other Funds	Due to Other Funds
Major Governmental Funds:		
General Fund:		
Non-Major Special Revenue Fund	\$ -	\$ 618
Total Major Governmental Funds	-	618
Nonmajor Governmental Funds:		
Special Revenue Funds:		
General Fund	618	-
Special Revenue Funds	6,541	6,541
Agency Fund	10	-
Total Nonmajor Governmental Funds	7,169	6,541
Fiduciary Fund-Agency Fund	-	10
Total	<u>\$7,169</u>	<u>\$7,169</u>

There were no transfers between funds during the year ended June 30, 2019.

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 20. PRIOR PERIOD ADJUSTMENT

In fiscal year 2019, the District recorded a prior period adjustment that reduced beginning net position of the Governmental Activities. The prior period adjustment corrects the beginning balance of the District's long-term debt. The following illustrates the effect of the prior period adjustment:

Beginning Net Position – As Originally Presented	\$(23,537,054)
Restatement due to:)	
Correction to long-term debt	<u>(166,525)</u>
Beginning Net Position – As Restated	<u>\$(23,703,579)</u>

REQUIRED SUPPLEMENTARY INFORMATION

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED JUNE 30, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016
District's Proportion of the Net Pension Liability (Asset)	0.0409407%	0.0376374%	0.0348517%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 22,534,778	\$ 12,034,410	\$ 13,169,930
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	39,670,943	23,641,771	27,244,383
Total	<u>\$ 62,205,721</u>	<u>\$ 35,676,181</u>	<u>\$ 40,414,313</u>
District's Covered Payroll	\$ 48,041,971	\$ 45,407,295	\$ 41,740,054
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	46.91%	26.50%	31.55%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.74%	82.17%	78.00%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for 2015.

Note: In accordance with GASB 68, Paragraph 138, only five years of data are presented this reporting period. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

<u>FY 2016</u>		<u>FY 2015</u>	
<u>Plan Year 2015</u>		<u>Plan Year 2014</u>	
	0.0337998%		0.02015%
\$	11,947,779	\$	5,382,344
	25,893,230		21,144,186
\$	<u>37,841,009</u>	\$	<u>26,526,530</u>
\$	39,123,164	\$	36,658,934
	30.54%		14.68%
	78.43%		83.25%

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2019

	2019	2018	2017
Contractually Required Contribution	\$ 1,490,880	\$ 1,340,831	\$ 1,201,851
Contribution in Relation to the Contractually Required Contribution	1,490,880	1,340,831	(1,201,851)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 51,003,623	\$ 47,551,680	\$ 44,717,056
Contributions as a Percentage of Covered Payroll	2.92%	2.82%	2.69%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding years.

Note: In accordance with GASB 68, Paragraph 138, the years of data presented this reporting period are those for which data is available. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

2016		2015	
\$	1,085,237	\$	914,025
	(1,085,237)		(914,025)
\$	-	\$	-
\$	41,426,114	\$	38,651,438
	2.62%		2.36%

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED JUNE 30, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.05575242%	0.05131726%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 27,837,693	\$ 22,315,951
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	42,330,975	36,755,075
Total	<u>\$ 70,168,668</u>	<u>\$ 59,071,026</u>
District's Covered Payroll	\$ 48,041,976	\$ 45,407,295
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	57.94%	49.15%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.57%	0.91%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2019 are for the measurement date August 31, 2018 and the amounts for FY 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR FISCAL YEAR 2019

	2019	2018
Contractually Required Contribution	\$ 400,453	\$ 357,241
Contribution in Relation to the Contractually Required Contribution	400,453	357,241
Contribution Deficiency (Excess)	\$ -0-	\$ -0-
District's Covered Payroll	\$ 51,003,623	\$ 47,551,680
Contributions as a Percentage of Covered Payroll	0.79%	0.75%

Note: GASB Codification, Vol. 2, P50.238 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

Information in this schedule should be provided only for the years where data is available. Eventually 10 years of data should be presented.

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019

PENSION LIABILITY:

Changes of benefit terms:

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Changes of assumptions:

The following were changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

- The Total Pension Liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants were updated based on the same experience study.
- The discount rate changed from 8.0 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018.
- The long-term assumed rate of return changed from 8.0 percent to 7.25 percent.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the Net Pension Liability.

OPEB LIABILITY:

Changes of benefit terms:

The following are changes of benefit terms that affected measurement of the Total OPEB liability during the measurement period. The 85th Legislature, Regular Session, passed the following statutory changes in House Bill 3976 which became effective on September 1, 2017:

- Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.
- Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants.
- Allowed the System to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period.
- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums.

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-CONTINUED
FOR THE YEAR ENDED JUNE 30, 2019

Changes of assumptions:

The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period:

- The total OPEB liability as of August 31, 2018 was developed using the roll forward method of the August 31, 2017 valuation.
- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the total OPEB liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the total OPEB liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the total OPEB liability.
- The discount rate changed from 3.42 percent as of August 31, 2017 to 3.69 percent, as of August 31, 2018. This change lowered the total OPEB liability \$2.3 billion.

This page left blank intentionally.

COMBINING SCHEDULES

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

Data Control Codes		211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	226 IDEA - Part B Discretionary
ASSETS					
1110	Cash and Cash Equivalents	\$ (141,651)	\$ 82,723	\$ 2,289	\$ -
1240	Due from Other Governments	199,459	72,563	-	-
1260	Due from Other Funds	-	7,169	-	-
1290	Other Receivables	-	-	-	-
1410	Prepayments	-	360	-	-
1000	Total Assets	<u>\$ 57,808</u>	<u>\$ 162,815</u>	<u>\$ 2,289</u>	<u>\$ -</u>
LIABILITIES					
2110	Accounts Payable	\$ 1,492	\$ -	\$ -	\$ -
2150	Payroll Deductions and Withholdings Payable	-	-	-	-
2160	Accrued Wages Payable	56,316	162,815	2,289	-
2170	Due to Other Funds	-	-	-	-
2300	Unearned Revenue	-	-	-	-
2000	Total Liabilities	<u>57,808</u>	<u>162,815</u>	<u>2,289</u>	<u>-</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 57,808</u>	<u>\$ 162,815</u>	<u>\$ 2,289</u>	<u>\$ -</u>

EXHIBIT H-1 (Cont'd)

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Other Federal Programs	392 Non-Ed. Community Based Support	397 Advanced Placement Incentives	410 State Instructional Materials
\$ 340,427	\$ (14,519)	\$ (5,253)	\$ (29,624)	\$ -	\$ 3,948	\$ -	\$ (339,912)
13,633	14,621	12,884	32,039	-	-	-	341,025
-	-	-	-	-	-	-	-
-	-	-	-	-	2,203	-	-
-	-	-	-	-	-	-	-
<u>\$ 354,060</u>	<u>\$ 102</u>	<u>\$ 7,631</u>	<u>\$ 2,415</u>	<u>\$ -</u>	<u>\$ 6,151</u>	<u>\$ -</u>	<u>\$ 1,113</u>
\$ 74	\$ -	\$ -	\$ 2,415	\$ -	\$ -	\$ -	\$ -
31	-	-	-	-	-	-	-
-	102	7,631	-	-	-	-	-
-	-	-	-	-	6,151	-	-
68,631	-	-	-	-	-	-	-
<u>68,736</u>	<u>102</u>	<u>7,631</u>	<u>2,415</u>	<u>-</u>	<u>6,151</u>	<u>-</u>	<u>-</u>
285,324	-	-	-	-	-	-	1,113
-	-	-	-	-	-	-	-
<u>285,324</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,113</u>
<u>\$ 354,060</u>	<u>\$ 102</u>	<u>\$ 7,631</u>	<u>\$ 2,415</u>	<u>\$ -</u>	<u>\$ 6,151</u>	<u>\$ -</u>	<u>\$ 1,113</u>

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

Data Control Codes		429 Other State Special Revenue Funds	461 Campus Activity Funds	480 Athletic Summer Camps	485 MESA
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ 824,560	\$ 128,883	\$ 23
1240	Due from Other Governments	-	-	-	-
1260	Due from Other Funds	-	-	-	-
1290	Other Receivables	-	1,555	3,505	-
1410	Prepayments	-	-	1,697	-
1000	Total Assets	<u>\$ -</u>	<u>\$ 826,115</u>	<u>\$ 134,085</u>	<u>\$ 23</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ 66,338	\$ 1,003	\$ -
2150	Payroll Deductions and Withholdings Payable	-	-	(1)	-
2160	Accrued Wages Payable	-	-	32,342	-
2170	Due to Other Funds	-	-	390	-
2300	Unearned Revenue	-	-	825	-
2000	Total Liabilities	<u>-</u>	<u>66,338</u>	<u>34,559</u>	<u>-</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	759,777	99,526	23
3000	Total Fund Balances	<u>-</u>	<u>759,777</u>	<u>99,526</u>	<u>23</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 826,115</u>	<u>\$ 134,085</u>	<u>\$ 23</u>

499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
\$ 297,481	\$ 1,149,375
-	686,224
-	7,169
3,300	10,563
2,228	4,285
<u>\$ 303,009</u>	<u>\$ 1,857,616</u>
\$ 862	\$ 72,184
-	30
55,224	316,719
-	6,541
-	69,456
<u>56,086</u>	<u>464,930</u>
-	286,437
246,923	1,106,249
<u>246,923</u>	<u>1,392,686</u>
<u>\$ 303,009</u>	<u>\$ 1,857,616</u>

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	226 IDEA - Part B Discretionary
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	386,014	1,352,150	12,751	12,000
5020 Total Revenues	386,014	1,352,150	12,751	12,000
EXPENDITURES:				
Current:				
0011 Instruction	364,696	931,633	12,751	-
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	4,141	6,002	-	-
0021 Instructional Leadership	-	27,169	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	377,934	-	12,000
0032 Social Work Services	15,000	-	-	-
0034 Student (Pupil) Transportation	-	9,412	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0061 Community Services	2,177	-	-	-
6030 Total Expenditures	386,014	1,352,150	12,751	12,000
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - July 1 (Beginning)	-	-	-	-
3000 Fund Balance - June 30 (Ending)	\$ -	\$ -	\$ -	\$ -

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Other Federal Programs	392 Non-Ed. Community Based Support	397 Advanced Placement Incentives	410 State Instructional Materials
\$ 2,177,944	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
13,825	-	-	-	-	8,097	10,400	1,024,966
1,338,288	52,072	83,464	38,533	27,442	-	-	-
3,530,057	52,072	83,464	38,533	27,442	8,097	10,400	1,024,966
-	48,452	42,561	24,065	13,949	-	-	1,024,966
-	-	-	-	-	-	-	-
-	1,012	40,903	14,468	13,493	-	10,400	-
-	-	-	-	-	-	-	-
-	2,608	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
3,673,764	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
156,151	-	-	-	-	-	-	-
-	-	-	-	-	8,097	-	-
3,829,915	52,072	83,464	38,533	27,442	8,097	10,400	1,024,966
(299,858)	-	-	-	-	-	-	-
585,182	-	-	-	-	-	-	1,113
\$ 285,324	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,113

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

Data Control Codes	429 Other State Special Revenue Funds	461 Campus Activity Funds	480 Athletic Summer Camps	485 MESA
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ 762,199	\$ 176,974	\$ -
5800 State Program Revenues	1,050	-	-	-
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	1,050	762,199	176,974	-
EXPENDITURES:				
Current:				
0011 Instruction	1,050	444,576	-	-
0012 Instructional Resources and Media Services	-	90,243	-	-
0013 Curriculum and Instructional Staff Development	-	763	-	-
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	66,891	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0032 Social Work Services	-	-	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	86,888	175,165	-
0041 General Administration	-	2,191	-	-
0051 Facilities Maintenance and Operations	-	27,749	-	-
0061 Community Services	-	-	-	-
6030 Total Expenditures	1,050	719,301	175,165	-
1200 Net Change in Fund Balance	-	42,898	1,809	-
0100 Fund Balance - July 1 (Beginning)	-	716,879	97,717	23
3000 Fund Balance - June 30 (Ending)	\$ -	\$ 759,777	\$ 99,526	\$ 23

499		Total	
Other Local		Nonmajor	
Special		Governmental	
Revenue Funds		Funds	
\$	407,199	\$	3,524,316
	-		1,058,338
	-		3,302,714
	407,199		7,885,368
<hr/>			
	-		2,908,699
	-		90,243
	-		91,182
	-		27,169
	-		69,499
	-		389,934
	-		15,000
	-		9,412
	-		3,673,764
	-		262,053
	-		2,191
	-		183,900
	371,007		381,281
	371,007		8,104,327
<hr/>			
	36,192		(218,959)
	210,731		1,611,645
<hr/>			
\$	246,923	\$	1,392,686
<hr/>			

This page left blank intentionally.

REQUIRED T.E.A. SCHEDULES

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED JUNE 30, 2019

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2010 and prior years	Various	Various	\$ Various
2011	1.040000	0.357500	3,023,047,719
2012	1.040000	0.500000	2,911,874,805
2013	1.040000	0.500000	2,994,973,426
2014	1.040000	0.500000	3,102,562,157
2015	1.040000	0.500000	3,294,631,539
2016	1.040000	0.500000	3,545,710,454
2017	1.040000	0.500000	3,847,326,876
2018	1.040000	0.500000	4,223,360,743
2019 (School year under audit)	1.040000	0.500000	4,619,229,379
1000 TOTALS			
9000 Portion of Row 1000 for Taxes Paid into Tax Increment Zone (See Footnote)			\$ <u>503,687,288</u>

(10) Beginning Balance 7/1/2018	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2019
\$ 38,691	\$ -	\$ 279	\$ 97	\$ (1,326)	\$ 36,989
19,749	-	548	188	(1,724)	17,289
20,873	-	1,378	663	(1,791)	17,041
35,494	-	8,869	4,264	(156)	22,205
38,471	-	45,362	21,808	86,826	58,127
74,356	-	49,647	23,869	89,444	90,284
87,696	-	64,228	30,879	113,102	105,691
122,374	-	64,514	31,016	98,072	124,916
395,067	-	152,473	73,304	16,738	186,028
-	69,341,610	46,316,886	22,267,734	(299,632)	457,358
<u>\$ 832,771</u>	<u>\$ 69,341,610</u>	<u>\$ 46,704,184</u>	<u>\$ 22,453,822</u>	<u>\$ 99,553</u>	<u>\$ 1,115,928</u>
<u>\$ -</u>	<u>\$ 1,863,452</u>	<u>\$ 1,258,435</u>	<u>\$ 605,017</u>	<u>\$ -</u>	<u>\$ -</u>

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED JUNE 30, 2019

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 2,001,561	\$ 2,177,021	\$ 2,177,944	\$ 923
5800 State Program Revenues	11,668	13,818	13,825	7
5900 Federal Program Revenues	1,243,288	1,350,488	1,338,288	(12,200)
5020 Total Revenues	3,256,517	3,541,327	3,530,057	(11,270)
EXPENDITURES:				
Current:				
0035 Food Services	3,175,700	3,760,242	3,673,764	86,478
0051 Facilities Maintenance and Operations	47,400	166,268	156,151	10,117
6030 Total Expenditures	3,223,100	3,926,510	3,829,915	96,595
1200 Net Change in Fund Balances	33,417	(385,183)	(299,858)	85,325
0100 Fund Balance - July 1 (Beginning)	585,182	585,182	585,182	-
3000 Fund Balance - June 30 (Ending)	\$ 618,599	\$ 199,999	\$ 285,324	\$ 85,325

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2019

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 22,383,314	\$ 22,805,675	\$ 22,840,551	\$ 34,876
5800 State Program Revenues	414,883	414,883	420,027	5,144
5020 Total Revenues	22,798,197	23,220,558	23,260,578	40,020
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Debt	4,265,108	4,265,108	4,265,107	1
0072 Interest on Long-Term Debt	17,511,507	17,511,507	17,221,541	289,966
0073 Bond Issuance Cost and Fees	20,000	232,022	228,377	3,645
6030 Total Expenditures	21,796,615	22,008,637	21,715,025	293,612
1100 Excess of Revenues Over Expenditures	1,001,582	1,211,921	1,545,553	333,632
OTHER FINANCING SOURCES (USES):				
7901 Refunding Bonds Issued	-	37,915,000	37,915,000	-
7916 Premium or Discount on Issuance of Bonds	-	496,308	496,307	(1)
8949 Other (Uses)	(1,000,000)	(39,611,856)	(39,598,599)	13,257
7080 Total Other Financing Sources (Uses)	(1,000,000)	(1,200,548)	(1,187,292)	13,256
1200 Net Change in Fund Balances	1,582	11,373	358,261	346,888
0100 Fund Balance - July 1 (Beginning)	16,432,283	16,432,283	16,432,283	-
3000 Fund Balance - June 30 (Ending)	\$ 16,433,865	\$ 16,443,656	\$ 16,790,544	\$ 346,888

This page left blank intentionally.

FEDERAL AWARDS SECTION

This page left blank intentionally.

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

To the Board of Trustees
Midlothian Independent School District
Midlothian, Texas

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Midlothian Independent School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Midlothian Independent School District's basic financial statements, and have issued our report dated October 8, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hankins, Eastup, Deaton, Tonn & Seay

Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

October 8, 2019

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees
Midlothian Independent School District
Midlothian, Texas

Report on Compliance for Each Major Federal Program

We have audited Midlothian Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Midlothian Independent School District's major federal programs for the year ended June 30, 2019. Midlothian Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of finding and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Midlothian Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Midlothian Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Midlothian Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Midlothian Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of Midlothian Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Midlothian Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Midlothian Independent School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Hankins, Eastup, Deaton, Tonn & Seay

Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

October 8, 2019

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

I. Summary of Auditor's Results

1. Type of auditor's report issued on the financial statements: Unmodified.
2. Internal control over financial reporting:
Material weakness(es) identified: None
Significant deficiency(ies) identified that are not considered to be material weaknesses: None reported
3. Noncompliance which is material to the financial statements: None
4. Internal controls over major federal programs:
Material weakness(es) identified: None
Significant deficiency(ies) identified that are not considered to be material weaknesses: None reported
5. Type of auditor's report on compliance for major federal programs: Unmodified.
6. Did the audit disclose findings which are required to be reported in accordance with 2 CFR 200.516(a)? No
7. Major programs include:
Child Nutrition Cluster:
CFDA 10.553 School Breakfast Program
CFDA 10.555 National School Lunch Program

CFDA 84.010A ESEA, Title I, Part A - Improving Basic Programs
8. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.
9. Low risk auditee: Yes

II. Findings Related to the Financial Statements

None

III. Other Findings

None

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

No prior findings.

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2019

CORRECTIVE ACTION PLAN

None required.

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through Region 10 Education Service Center</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	19610101057950	\$ 386,014
Title III, Part A - English Language Acquisition	84.365A	19671001057950	38,533
Total Passed Through Region 10 Education Service Center			424,547
<u>Passed Through Region 20 Education Service Center</u>			
*IDEA - Part B, Discretionary	84.027	1866031	12,000
Total Passed Through Region 20 Education Service Center			12,000
<u>Passed Through State Department of Education</u>			
*IDEA - Part B, Formula	84.027	186600010709086600	43,806
*IDEA - Part B, Formula	84.027	196600010709086600	1,308,344
Total CFDA Number 84.027			1,352,150
*IDEA - Part B, Preschool	84.173	206610010709086610	12,751
Total Special Education Cluster (IDEA)			1,376,901
Career and Technical - Basic Grant	84.048	19420006070908	52,072
ESEA, Title II, Part A, Teacher Principal Training	84.367A	19694501070908	83,464
Summer School LEP	84.369A	69551802	2,503
ESEA, Title IV, Part A - Student Support	84.424A	19680101070908	24,939
Total Passed Through State Department of Education			1,527,879
TOTAL U.S. DEPARTMENT OF EDUCATION			1,964,426
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Texas Health & Human Services Comm.</u>			
Medicaid Administrative Claiming Program - MAC	93.778	529-13-0035-00004	20,164
Total Passed Through Texas Health & Human Services Comm.			20,164
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			20,164
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401901	230,752
*National School Lunch Program - Cash Assistance	10.555	71301901	978,466
*National School Lunch Prog. - Non-Cash Assistance	10.555	71301901	129,070
Total CFDA Number 10.555			1,107,536
Total Child Nutrition Cluster			1,338,288
Total Passed Through the State Department of Agriculture			1,338,288
TOTAL U.S. DEPARTMENT OF AGRICULTURE			1,338,288
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 3,322,878

*Clustered Programs

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

1. The District uses the fund types specified in Texas Education Agency's Financial Accountability System Resource Guide. Special Revenue Funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund. Generally, unused balances are returned to the grantor at the close of specified project periods.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund which is a Governmental Fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund types and Agency Funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

3. The District participates in numerous state and Federal grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at June 30, 2019, may be impaired. In the opinion of the District, there are not significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions has been recorded in the accompanying combined financial statements for such contingencies.
4. The District also received \$1,686,254 of School Health and Related Services (SHARS) payments. These payments are not considered Federal awards for purposes of the Schedule of Expenditures of Federal Awards and were recorded as Federal revenues in the General Fund.

This page left blank intentionally.