

**MIDLOTHIAN INDEPENDENT  
SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT FOR THE  
YEAR ENDED JUNE 30, 2021**

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2021

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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, 2021, at a meeting of the Board of Trustees of such school district on the 18th day of October, 2021.

  
Signature of Board Secretary

  
Signature of Board President

Members:  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC  
ACCOUNTANTS  
TEXAS SOCIETY OF CERTIFIED  
PUBLIC ACCOUNTANTS

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**HANKINS, EASTUP, DEATON,  
TONN & SEAY**  
A PROFESSIONAL CORPORATION  

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CERTIFIED PUBLIC ACCOUNTANTS

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902 NORTH LOCUST  
P.O. BOX 977  
DENTON, TX 76202-0977  
  
TEL. (940) 387-8563  
FAX (940) 383-4746

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, 2021, 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, 2021, 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 56 through 62 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 5, 2021 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 5, 2021

**MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021  
(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, 2021. 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 (\$39,099,276) (*deficit net position*).
- The District's total net position decreased by \$2,351,653 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 \$134,000,141. Approximately 7.7% of this total amount, \$10,318,359, 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 \$10,318,359 or 10.3% 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 27) 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 custodian, for money raised by student activities. The District's custodial activity is reported in a separate Statement of Custodial Net Position and Statement of Changes in Custodial Fund Net Position on pages 25 and 26. 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 (\$36,747,623) to (\$39,099,276). 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 (\$17,028,519) at June 30, 2021.

**Table I**  
**NET POSITION**

	Governmental Activities 2021	Governmental Activities 2020
Current and other assets	\$ 151,019,396	\$ 197,013,679
Capital assets, net	359,430,815	331,390,567
Total assets	510,450,211	528,404,246
Deferred outflows of resources	19,528,752	22,066,477
Total assets and deferred outflows of resources	529,978,963	550,470,723
Long-term liabilities	527,085,969	546,188,489
Other liabilities	21,920,022	24,545,554
Total liabilities	549,005,991	570,734,043
Deferred inflows of resources	20,072,248	16,484,303
Total liabilities and deferred inflows of resources	569,078,239	587,218,346
Net Position:		
Net investments in capital assets	(33,950,903)	(31,057,588)
Restricted	11,880,146	12,505,945
Unrestricted	(17,028,519)	(18,195,980)
Total Net Position	\$ (39,099,276)	\$ (36,747,623)



**Table II**  
**CHANGES IN NET POSITION**

	Governmental Activities 2021	Governmental Activities 2020
Revenues:		
Program Revenues:		
Charges for services	\$ 3,790,093	\$ 3,969,283
Operating grants and contributions	13,181,130	8,785,991
General Revenues:		
Maintenance and operations taxes	51,353,864	49,045,334
Debt service taxes	28,258,403	25,266,840
State aid	38,935,338	34,483,929
Grants and contributions not restricted	325,590	1,082,281
Investment earnings	144,945	1,577,092
Miscellaneous	2,776,446	1,284,709
Total Revenue	<u>138,765,809</u>	<u>125,495,459</u>
Expenses:		
Instruction, curriculum and media services	65,974,114	61,293,123
Instructional and school leadership	6,445,102	6,082,343
Student support services	8,258,546	7,594,803
Child nutrition	4,110,260	3,426,591
Extracurricular activities	6,339,623	6,023,982
General administration	3,586,840	3,316,352
Plant maintenance, security and data processing	15,931,680	13,182,011
Community services	530,101	455,439
Debt services	14,537,174	15,288,613
Facilities acquisition & construction	3,515,269	3,721,499
Payments to Tax Increment Fund	11,326,875	7,973,853
Other intergovernmental charges	561,878	535,551
Total Expenses	<u>141,117,462</u>	<u>128,894,160</u>
Increase (decrease) in net position	(2,351,653)	(3,398,701)
Net position at beginning of year	<u>(36,747,623)</u>	<u>(33,348,922)</u>
Net position at end of year	<u><u>\$(39,099,276)</u></u>	<u><u>\$(36,747,623)</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 \$2,351,653 during the current fiscal year.

The District showed an increase in revenue of 10.6%. Local tax revenues increased because of a 13.3% increase in taxable values. State Foundation revenue increased due to increased enrollment. Other items that affected the District's 2020-2021 activities were:

- Average daily attendance increased by 3.2%.
- The District's General Fund expenditures increased \$8.4 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 decreased from \$0.97 per \$100 valuation to \$0.8898 per \$100 valuation because of tax rate compression required by the new state funding formula. The District's debt service tax rate decreased from \$0.50 per \$100 valuation to \$0.49 per \$100 valuation.

The cost of all governmental activities for the current fiscal year was \$141,117,462. 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 \$79,612,267 because some of the costs were paid by those who directly benefited from the programs (\$3,790,093) or by other governments and organizations that subsidized certain programs with grants and contributions (\$13,181,130) or by State equalization funding (\$38,935,338).

## **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 \$134,000,141, which is \$43,657,851 less than last year's total of \$177,657,992. Included in this year's total change in fund balance is an increase of \$769,134 in the District's General Fund, a decrease of \$1,187,554 in the Debt Service Fund, and a decrease of \$43,657,896 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 2020). 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 \$32,938,020 reported on page 20 differs from the General Fund's budgetary fund balance of \$29,787,943 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, 2021, the District had \$359,430,815 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 \$28,040,248, or 8.5 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 \$482,111,986 in long-term debt outstanding (including accreted interest on bonds) compared to \$496,689,773 last year—a decrease of \$14,577,787. 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 \$10.9 million higher due to enrollment growth and an increase in taxable property values.
- The District's General Fund expenditures are budgeted to increase approximately \$14.4 million because of increased payments to the Tax Increment Fund and higher salaries resulting from salary increases and new positions required by higher enrollment.
- The maintenance and operations tax rate decreased from \$0.8898 per \$100 valuation to \$0.872 per \$100 valuation due to rate compression required by the new State funding formula. The debt service tax rate decreased from \$0.49 per \$100 valuation to \$0.48 per \$100 valuation.
- The 2020-2021 General Fund budget is balanced with both revenues and expenditures of \$114.6 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

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MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2021

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 139,513,139
1220 Property Taxes - Delinquent	1,253,262
1230 Allowance for Uncollectible Taxes	(125,327)
1240 Due from Other Governments	9,300,118
1290 Other Receivables, Net	1,025,277
1300 Inventories	9,547
1410 Prepayments	43,380
Capital Assets:	
1510 Land	8,868,008
1520 Buildings, Net	293,277,596
1530 Furniture and Equipment, Net	21,243,736
1580 Construction in Progress	36,041,475
1000 Total Assets	<u>510,450,211</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1701 Deferred Charge on Bond Refundings	3,083,667
1705 Deferred Resource Outflows Related to TRS Pension	9,455,033
1706 Deferred Resource Outflows Related to TRS OPEB	6,990,052
1700 Total Deferred Outflows of Resources	<u>19,528,752</u>
<b>LIABILITIES</b>	
2110 Accounts Payable	5,168,774
2140 Accrued Interest Payable	6,028,702
2150 Payroll Deductions and Withholdings	152,771
2160 Accrued Wages Payable	8,812,513
2170 Due to Custodial Funds	709
2200 Accrued Expenses	1,586,577
2300 Unearned Revenue	169,976
Noncurrent Liabilities:	
2501 Due Within One Year: Loans, Note, Leases, etc.	13,953,690
Due in More than One Year:	
2502 Bonds, Notes, Leases, etc.	468,158,206
2540 Net Pension Liability (District's Share)	22,239,581
2545 Net OPEB Liability (District's Share)	22,734,492
2000 Total Liabilities	<u>549,005,991</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605 Deferred Resource Inflows Related to TRS Pension	3,424,773
2606 Deferred Resource Inflows Related to TRS OPEB	16,647,475
2600 Total Deferred Inflows of Resources	<u>20,072,248</u>
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	(33,950,903)
Restricted:	
3820 Restricted for Federal and State Programs	829,587
3850 Restricted for Debt Service	11,050,559
3900 Unrestricted	(17,028,519)
3000 Total Net Position	<u>\$ (39,099,276)</u>

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

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MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021

EXHIBIT B-1

FOR THE YEAR ENDED JUNE 30, 2021

				Net (Expense) Revenue and Changes in Net Position	
Data	Program Revenues				
Control	1	3	4	6	
Codes		Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities	
	Expenses				
Primary Government:					
GOVERNMENTAL ACTIVITIES:					
11	Instruction	\$ 63,123,041	\$ 966,442	\$ 6,229,336	\$ (55,927,263)
12	Instructional Resources and Media Services	1,259,371	9,232	71,058	(1,179,081)
13	Curriculum and Instructional Staff Development	1,591,702	282	227,974	(1,363,446)
21	Instructional Leadership	1,068,685	-	121,749	(946,936)
23	School Leadership	5,376,417	61,892	401,251	(4,913,274)
31	Guidance, Counseling, and Evaluation Services	3,753,765	-	575,267	(3,178,498)
33	Health Services	1,192,281	-	181,466	(1,010,815)
34	Student (Pupil) Transportation	3,312,500	-	782,213	(2,530,287)
35	Food Services	4,110,260	518,438	3,196,790	(395,032)
36	Extracurricular Activities	6,339,623	489,147	140,225	(5,710,251)
41	General Administration	3,586,840	21,608	242,742	(3,322,490)
51	Facilities Maintenance and Operations	11,592,104	1,229,992	697,702	(9,664,410)
52	Security and Monitoring Services	1,816,220	-	189,988	(1,626,232)
53	Data Processing Services	2,523,356	-	104,863	(2,418,493)
61	Community Services	530,101	493,060	18,506	(18,535)
72	Debt Service - Interest on Long-Term Debt	10,362,940	-	-	(10,362,940)
73	Debt Service - Bond Issuance Cost and Fees	4,174,234	-	-	(4,174,234)
81	Capital Outlay	3,515,269	-	-	(3,515,269)
97	Payments to Tax Increment Fund	11,326,875	-	-	(11,326,875)
99	Other Intergovernmental Charges	561,878	-	-	(561,878)
[TP] TOTAL PRIMARY GOVERNMENT:		\$ 141,117,462	\$ 3,790,093	\$ 13,181,130	(124,146,239)
Data					
Control					
Codes					
	General Revenues:				
	Taxes:				
MT	Property Taxes, Levied for General Purposes				51,353,864
DT	Property Taxes, Levied for Debt Service				28,258,403
SF	State Aid - Formula Grants				38,935,338
GC	Grants and Contributions not Restricted				325,590
IE	Investment Earnings				144,945
MI	Miscellaneous Local and Intermediate Revenue				2,776,446
TR	Total General Revenues				121,794,586
CN	Change in Net Position				(2,351,653)
NB	Net Position - Beginning				(36,747,623)
NE	Net Position - Ending				\$ (39,099,276)

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



MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2021

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 34,076,242	\$ 16,693,758	\$ 88,830,223
1220 Property Taxes - Delinquent	824,925	428,337	-
1230 Allowance for Uncollectible Taxes	(82,493)	(42,834)	-
1240 Due from Other Governments	6,823,907	-	-
1260 Due from Other Funds	-	-	-
1290 Other Receivables	1,016,582	-	-
1300 Inventories	9,547	-	-
1410 Prepayments	43,380	-	-
1000 Total Assets	<u>\$ 42,712,090</u>	<u>\$ 17,079,261</u>	<u>\$ 88,830,223</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	\$ 351,060	\$ -	\$ 4,801,639
2150 Payroll Deductions and Withholdings Payable	150,957	-	-
2160 Accrued Wages Payable	8,458,211	-	-
2170 Due to Other Funds	23,923	-	-
2200 Accrued Expenditures	-	-	1,586,577
2300 Unearned Revenue	47,487	-	-
2000 Total Liabilities	<u>9,031,638</u>	<u>-</u>	<u>6,388,216</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2601 Unavailable Revenue - Property Taxes	742,432	385,503	-
2600 Total Deferred Inflows of Resources	<u>742,432</u>	<u>385,503</u>	<u>-</u>
<b>FUND BALANCES</b>			
Nonspendable Fund Balance:			
3410 Inventories	9,547	-	-
3430 Prepaid Items	43,380	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	82,442,007
3480 Retirement of Long-Term Debt	-	16,693,758	-
Committed Fund Balance:			
3530 Capital Expenditures for Equipment	9,066,734	-	-
3545 Other Committed Fund Balance	-	-	-
Assigned Fund Balance:			
3550 Construction	13,500,000	-	-
3600 Unassigned Fund Balance	10,318,359	-	-
3000 Total Fund Balances	<u>32,938,020</u>	<u>16,693,758</u>	<u>82,442,007</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 42,712,090</u>	<u>\$ 17,079,261</u>	<u>\$ 88,830,223</u>

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

Other Funds	Total Governmental Funds
\$ (87,084)	\$ 139,513,139
-	1,253,262
-	(125,327)
2,476,211	9,300,118
23,214	23,214
8,695	1,025,277
-	9,547
-	43,380
<u>\$ 2,421,036</u>	<u>\$ 151,042,610</u>
\$ 16,075	\$ 5,168,774
1,814	152,771
354,302	8,812,513
-	23,923
-	1,586,577
122,489	169,976
<u>494,680</u>	<u>15,914,534</u>
-	1,127,935
<u>-</u>	<u>1,127,935</u>
-	9,547
-	43,380
829,587	829,587
-	82,442,007
-	16,693,758
-	9,066,734
1,096,769	1,096,769
-	13,500,000
-	10,318,359
<u>1,926,356</u>	<u>134,000,141</u>
<u>\$ 2,421,036</u>	<u>\$ 151,042,610</u>

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
JUNE 30, 2021

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 134,000,141</b>
1 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements.	501,103,828
2 Accumulated depreciation is not reported in the fund financial statements.	(141,673,013)
3 Bonds payable and capital leases payable have not been included in the fund financial statements.	(429,760,000)
4 Accreted interest payable on capital appreciation bonds has not been included in the fund financial statements.	(3,204,504)
5 Property tax revenue reported as unavailable revenue in the fund financial statements is recognized as revenue in the government-wide financial statements.	1,127,935
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.	(6,028,702)
7 Bond premiums and discounts are not recognized in the fund financial statements.	(49,147,392)
8 Deferred charge on bond refundings is not recognized in the fund financial statements.	3,083,667
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 \$22,239,581, Deferred Inflows of Resources related to TRS pension in the amount of \$3,424,773, and Deferred Outflows of Resources related to TRS pension in the amount of \$9,455,033. This results in a decrease in Net Position in the amount of \$16,209,321.	(16,209,321)
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 \$22,734,492, a Deferred Resource Inflow related to TRS OPEB in the amount of \$16,647,475, and a Deferred Resource Outflow related to TRS OPEB in the amount of \$6,990,052. This results in a net decrease in Net Position in the amount of \$32,391,915.	(32,391,915)
<b>19 Net Position of Governmental Activities</b>	<b>\$ (39,099,276)</b>

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

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MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 55,596,722	\$ 28,252,326	\$ 108,107
5800 State Program Revenues	44,145,001	211,894	-
5900 Federal Program Revenues	1,224,598	-	-
5020 Total Revenues	100,966,321	28,464,220	108,107
EXPENDITURES:			
Current:			
0011 Instruction	51,303,958	-	-
0012 Instructional Resources and Media Services	1,068,963	-	-
0013 Curriculum and Instructional Staff Development	1,408,786	-	-
0021 Instructional Leadership	996,136	-	-
0023 School Leadership	4,947,917	-	-
0031 Guidance, Counseling, and Evaluation Services	3,315,880	-	-
0033 Health Services	1,138,894	-	-
0034 Student (Pupil) Transportation	3,157,049	-	-
0035 Food Services	1,522	-	-
0036 Extracurricular Activities	4,124,169	-	-
0041 General Administration	3,410,640	-	-
0051 Facilities Maintenance and Operations	10,206,742	-	-
0052 Security and Monitoring Services	1,231,438	-	-
0053 Data Processing Services	1,805,086	-	-
0061 Community Services	18,535	-	-
Debt Service:			
0071 Principal on Long-Term Debt	135,443	41,528,728	-
0072 Interest on Long-Term Debt	37,276	17,868,539	-
0073 Bond Issuance Cost and Fees	-	4,174,234	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	-	-	43,766,003
Intergovernmental:			
0097 Payments to Tax Increment Fund	11,326,875	-	-
0099 Other Intergovernmental Charges	561,878	-	-
6030 Total Expenditures	100,197,187	63,571,501	43,766,003
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	769,134	(35,107,281)	(43,657,896)
OTHER FINANCING SOURCES (USES):			
7911 Capital Related Debt Issued	-	136,180,000	-
7916 Premium or Discount on Issuance of Bonds	-	16,702,271	-
8949 Other (Uses)	-	(118,962,544)	-
7080 Total Other Financing Sources (Uses)	-	33,919,727	-
1200 Net Change in Fund Balances	769,134	(1,187,554)	(43,657,896)
0100 Fund Balance - July 1 (Beginning)	32,168,886	17,881,312	126,099,903
3000 Fund Balance - June 30 (Ending)	\$ 32,938,020	\$ 16,693,758	\$ 82,442,007

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

	Other Funds	Total Governmental Funds
\$	1,525,661	\$ 85,482,816
	756,898	45,113,793
	7,471,263	8,695,861
	9,753,822	139,292,470
	3,663,494	54,967,452
	24,196	1,093,159
	158,030	1,566,816
	45,546	1,041,682
	143,543	5,091,460
	362,482	3,678,362
	31,425	1,170,319
	63,618	3,220,667
	3,454,985	3,456,507
	190,483	4,314,652
	60,353	3,470,993
	443,715	10,650,457
	165,182	1,396,620
	16,739	1,821,825
	511,566	530,101
	-	41,664,171
	-	17,905,815
	-	4,174,234
	-	43,766,003
	-	11,326,875
	-	561,878
	9,335,357	216,870,048
	418,465	(77,577,578)
	-	136,180,000
	-	16,702,271
	-	(118,962,544)
	-	33,919,727
	418,465	(43,657,851)
	1,507,891	177,657,992
\$	1,926,356	\$ 134,000,141

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, 2021

EXHIBIT C-4

<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ (43,657,851)</b>
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.	41,407,735
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.	(13,367,487)
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.	13,809,325
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.	(71,104)
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 decrease in accrued interest payable increases net position in the government-wide financial statements.	283,552
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.	5,548
Bond premiums and discounts are not amortized in the fund financial statements, but are reported net of amortization in the government-wide financial statements.	2,892,033
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.	(421,760)
Current year issuances of refunding 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.	(136,180,000)
The premiums on the current year issuances of refunding 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.	(16,702,271)
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.	118,962,544
The remarketing of the 2017B bond series resulted in the pay-off of the remarketed bonds.	32,715,000

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, 2021

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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 8/31/2020 caused the change in the ending net position to increase \$55,878. These contributions were replaced with the District's pension expense for the year of \$2,307,637, 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 \$2,251,759.	(2,251,759)
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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 8/31/2020 but during the current fiscal year caused the ending net position to increase in the amount of \$32,570. These contributions were replaced with the District's OPEB negative expense for the year, which was \$192,272 which caused an increase in net position. The net effect of both of these is to decrease the change in net position by \$224,842.	224,842
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<b>Change in Net Position of Governmental Activities</b>	<u><u>\$ (2,351,653)</u></u>
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MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2021

FOR THE YEAR ENDED JUNE 30, 2021					
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	\$ 53,871,878	\$ 58,996,840	\$ 55,596,722	\$ (3,400,118)
5800	State Program Revenues	41,346,541	44,107,967	44,145,001	37,034
5900	Federal Program Revenues	1,079,500	1,319,152	1,224,598	(94,554)
5020	Total Revenues	96,297,919	104,423,959	100,966,321	(3,457,638)
EXPENDITURES:					
Current:					
0011	Instruction	51,243,690	52,629,562	51,303,958	1,325,604
0012	Instructional Resources and Media Services	1,093,568	1,178,823	1,068,963	109,860
0013	Curriculum and Instructional Staff Development	1,353,623	1,553,563	1,408,786	144,777
0021	Instructional Leadership	1,161,926	1,062,791	996,136	66,655
0023	School Leadership	4,775,969	5,103,980	4,947,917	156,063
0031	Guidance, Counseling, and Evaluation Services	3,229,121	3,405,937	3,315,880	90,057
0033	Health Services	1,109,929	1,172,748	1,138,894	33,854
0034	Student (Pupil) Transportation	2,479,708	3,233,062	3,157,049	76,013
0035	Food Services	-	3,044	1,522	1,522
0036	Extracurricular Activities	4,341,072	4,374,652	4,124,169	250,483
0041	General Administration	3,690,131	3,802,825	3,410,640	392,185
0051	Facilities Maintenance and Operations	9,333,748	13,740,724	10,206,742	3,533,982
0052	Security and Monitoring Services	1,414,324	1,439,464	1,231,438	208,026
0053	Data Processing Services	1,981,436	1,975,061	1,805,086	169,975
0061	Community Services	8,500	37,070	18,535	18,535
Debt Service:					
0071	Principal on Long-Term Debt	191,326	135,444	135,443	1
0072	Interest on Long-Term Debt	37,276	37,276	37,276	-
Intergovernmental:					
0095	Payments to Juvenile Justice Alternative Ed. Prg.	60,000	-	-	-
0097	Payments to Tax Increment Fund	8,200,572	11,326,876	11,326,875	1
0099	Other Intergovernmental Charges	592,000	592,000	561,878	30,122
6030	Total Expenditures	96,297,919	106,804,902	100,197,187	6,607,715
1200	Net Change in Fund Balances	-	(2,380,943)	769,134	3,150,077
0100	Fund Balance - July 1 (Beginning)	32,168,886	32,168,886	32,168,886	-
3000	Fund Balance - June 30 (Ending)	\$ 32,168,886	\$ 29,787,943	\$ 32,938,020	\$ 3,150,077

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

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CUSTODIAL NET POSITION  
CUSTODIAL FUNDS  
JUNE 30, 2021

	Total Custodial Funds
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 1,100,275
Due from Other Funds	709
Total Assets	<u>1,100,984</u>
<b>LIABILITIES</b>	
Accounts Payable	<u>27,148</u>
Total Liabilities	<u>27,148</u>
<b>NET POSITION</b>	
Unrestricted Net Position	<u>1,073,836</u>
Total Net Position	<u>\$ 1,073,836</u>

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

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN CUSTODIAL NET POSITION  
CUSTODIAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021

	Total Custodial Funds
<b>ADDITIONS:</b>	
Contributions to Student Groups	\$ 1,043,845
Other Additions	84,544
Total Additions	<u>1,128,389</u>
<b>DEDUCTIONS:</b>	
Expenses of Student Groups	852,310
Other Expenses	44,228
Total Deductions	<u>896,538</u>
Change in Fiduciary Net Position	231,851
Total Net Position - July 1 (Beginning)	<u>841,985</u>
Total Net Position - June 30 (Ending)	<u><u>\$ 1,073,836</u></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, 2021

**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, 2021

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. **Custodial Funds** - These funds are used to account for activities of student groups and other organizational activities on a fiduciary basis. 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, 2021

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, 2021

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:

June 30, 2021	
<u>Fund Balance</u>	
Appropriated Budget Funds - Food Service Special Revenue Fund	\$ 828,474
Nonappropriated Budget Funds	<u>1,097,882</u>
All Special Revenue Funds	<u>\$1,926,356</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, 2021.

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**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, 2021 was \$3,083,667.



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**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, 2021 was \$9,455,033.

**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, 2021 was \$6,990,052.

*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, 2021 was \$1,127,935.

**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 2021, the District reported deferred inflows of resources for pensions in the governmental activities in the amount of \$3,424,773.

**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 2020 measurement year). In fiscal year 2021, the District reported deferred inflows of resources for OPEB in the governmental activities in the amount of \$16,647,475.

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**K. COMPENSATED ABSENCES**

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The District will pay employees who retire from the District with at least five years of service \$70 per day of unused sick leave up to a maximum of 30 days (\$2,100 maximum). The District considers the liability for this to be immaterial. 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 2021, 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.

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**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 equipment purchases. The Board of Trustees has also committed resources as of June 30, 2021 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, 2021 for future construction.
- Unassigned: This classification includes all amounts not included in other spendable classifications, including the residual fund balance of the General Fund.

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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 \$10,318,359 at June 30, 2021. Inventories of \$9,547 and prepaid items of \$43,380 are considered nonspendable fund balance. The Board of Trustees has committed \$9,066,734 of fund balance for future equipment purchases and has assigned \$13,500,000 of fund balance for future construction.

**Debt Service Fund**

The Debt Service Fund has restricted funds of \$16,693,758 at June 30, 2021 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 \$82,442,007 at June 30, 2021 consisting primarily of remaining bond issuance proceeds that are restricted for construction and other capital outlay expenditures.

**Other Funds**

The fund balance of \$848,221 of the Campus Activity Fund and \$248,548 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 \$828,474 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, 2021, the carrying amount of the District's deposit checking accounts and interest-bearing demand accounts was \$(1,035,877) and the bank balance was \$1,946,192. The District's cash deposits at June 30, 2021 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.

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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, 2021, the District's cash deposits totaled \$1,946,192. 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, 2021, 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.
- 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).
- 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, 2021, the District was not exposed to foreign currency risk.

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- 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, 2021, are shown below:

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>
TexPool Investment Pool	\$132,094,965	\$132,094,965
Lone Star Investment Pool	9,554,126	9,554,126
Total	<u>\$141,649,091</u>	<u>\$141,649,091</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.

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**NOTE 4. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2021, was as follows:

	Balance July 1	Additions/ Completions	Retirement/ Adjustments	Balance June 30
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 8,757,258	\$ 110,750	\$ -	\$ 8,868,008
Construction in progress	73,330,828	39,006,389	(76,295,742)	36,041,475
Total capital assets not being depreciated	82,088,086	39,117,139	(76,295,742)	44,909,483
Capital assets, being depreciated				
Buildings and improvements	345,443,720	73,705,002	-	419,148,722
Furniture and equipment	22,489,990	3,996,497	-	26,486,487
Vehicles	9,674,297	884,839	-	10,559,136
Total capital assets being depreciated	377,608,007	78,586,338	-	456,194,345
Less accumulated depreciation for:				
Buildings and improvements	(115,314,839)	(10,556,287)	-	(125,871,126)
Furniture and equipment	(8,183,028)	(1,995,245)	-	(10,178,273)
Vehicles	(4,807,659)	(815,955)	-	(5,623,614)
Total accumulated depreciation	(128,305,526)	(13,367,487)	-	(141,673,013)
Total capital assets, being depreciated, net	249,302,481	65,218,851	-	314,521,332
Governmental activities capital assets, net	\$331,390,567	\$104,335,990	\$(76,295,742)	\$359,430,815

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

Governmental activities:	
Instruction	\$ 7,254,531
Instructional Resources & Media Services	146,334
School Leadership	171,704
Student Transportation	738,828
Food Services	691,583
Extracurricular Activities	2,242,115
General Administration	51,448
Plant Maintenance and Operations	989,831
Security & Monitoring Services	410,810
Data Processing Services	670,303
Total depreciation expense-Governmental activities	\$13,367,487

**NOTE 5. LONG-TERM DEBT**

Long-term debt includes par bonds and capital appreciation (deep discount) serial bonds. 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  
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The following is a summary of the changes in the District's Long-term Debt for the year ended June 30, 2021:

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 7/1/2020	Issued Current Year	Interest Accretion	Retired/ Refunded	Amounts Outstanding 6/30/2021	Due Within One Year
Bonded Indebtedness:								
2011-A School Bldg. Bonds	4.00-5.27%	26,800,000	\$ 26,200,000	\$ -	\$ -	\$ 26,200,000	\$ -	\$ -
2011-C Refunding Bonds	0.90-4.00%	5,811,436	4,805,000	-	-	4,640,000	165,000	165,000
2012 Refunding Bonds	1.35-3.00%	7,259,428	6,883,145	-	-	6,143,145	740,000	740,000
2013-A Refunding Bonds	0.92-5.00%	56,357,641	50,225,000	-	-	45,370,000	4,855,000	2,895,000
2013-B Refunding Bonds	0.30-5.00%	12,810,000	7,045,000	-	-	5,560,000	1,485,000	330,000
2013-C Refunding Bonds	Variable	48,905,000	45,685,000	-	-	-	45,685,000	-
2014 School Bldg. Bonds	3.00-4.00%	19,385,000	17,830,000	-	-	14,945,000	2,885,000	390,000
2014-A Refunding Bonds	0.88-4.00%	9,302,337	9,055,583	-	-	5,865,583	3,190,000	740,000
2017-A School Bldg. Bonds	2.00-4.00%	26,740,000	24,900,000	-	-	-	24,900,000	585,000
2017-B School Bldg. Bonds	Variable	39,925,000	32,715,000	31,465,000	-	35,545,000	28,635,000	-
2018 School Bldg. Bonds	4.00-5.00%	73,445,000	73,445,000	-	-	-	73,445,000	160,000
2019 Refunding Bonds	3.00-5.00%	39,675,000	38,860,000	-	-	985,000	37,875,000	985,000
2020 School Bldg. Bonds	2.00-5.00%	105,005,000	105,005,000	-	-	2,385,000	102,620,000	3,275,000
2020-A Refunding Bonds	0.489-5.00%	73,425,000	-	73,425,000	-	1,070,000	72,355,000	60,000
2020-B Refunding Bonds	0.44-5.00%	31,290,000	-	31,290,000	-	365,000	30,925,000	-
Total Bonded Indebtedness:			<u>442,653,728</u>	<u>136,180,000</u>	<u>-</u>	<u>149,073,728</u>	<u>429,760,000</u>	<u>10,325,000</u>
Other Direct Obligations:								
Accreted Interest -								
Capital Appreciation Bonds			5,344,613	4,044,393	71,104	6,255,606	3,204,504	443,304
Bond Premiums			48,552,107	12,657,878	-	12,062,593	49,147,392	3,185,386
Capital Leases Payable	2.30%	6,503,095	<u>139,325</u>	<u>-</u>	<u>-</u>	<u>139,325</u>	<u>-</u>	<u>-</u>
Total Other Obligations:			<u>54,036,045</u>	<u>16,702,271</u>	<u>71,104</u>	<u>18,457,524</u>	<u>52,351,896</u>	<u>3,628,690</u>
Total Obligations of District			<u>\$496,689,773</u>	<u>\$152,882,271</u>	<u>\$ 71,104</u>	<u>\$167,531,252</u>	<u>\$482,111,896</u>	<u>\$13,953,690</u>

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

Year Ended June 30,	General Obligation		Total
	Principal	Interest	Requirements
2022	\$ 10,325,000	\$ 16,456,708	\$ 26,781,708
2023	9,915,000	18,344,879	28,259,879
2024	11,040,000	15,388,579	26,428,579
2025	10,610,000	15,619,253	26,229,253
2026	11,115,000	15,612,304	26,727,304
2027-2031	68,015,000	69,142,793	137,157,793
2032-2036	81,365,000	54,894,760	136,259,760
2037-2041	61,820,000	41,922,066	103,742,066
2042-2046	84,950,000	27,592,596	112,542,596
2047-2051	71,000,000	9,352,750	80,352,750
2052-2053	<u>9,605,000</u>	<u>212,100</u>	<u>9,817,100</u>
	<u>\$429,760,000</u>	<u>\$284,538,788</u>	<u>\$714,298,788</u>

The 2020-A bond series includes Capital Appreciation Bonds. No interest is paid on these bonds prior to maturity. The bonds mature variously between 2022 and 2023. 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, 2021.



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

In November 2020, the District issued \$73,425,000 (par value) in Unlimited Tax Refunding Bonds to advance refund \$73,425,000 (par value) of outstanding bonds. The net proceeds of \$82,066,163 (\$73,425,000 par amount of the bonds plus \$9,336,753 of premium paid on the bonds less \$695,590 of underwriting fees and other issuance costs) were used to purchase U.S. and State and Local Government Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds was removed from the long-term debt of the District. The refunded bonds will be repaid between August 2021 and February 2024, the call date of the bonds. The reacquisition price was more than the net carrying amount of the old debt by \$4,517,970. This amount is being amortized over the remaining life of the refunded debt, which is the same as the life of the new refunded debt issued. In addition, the refunding resulted in an economic gain of \$12,818,818 (the present value of debt service savings).

In November 2020, the District issued \$31,290,000 (par value) in Unlimited Tax Refunding Bonds to advance refund \$31,290,000 (par value) of outstanding bonds. The net proceeds of \$36,896,381 (\$31,290,000 par amount of the bonds plus \$5,935,749 of premium paid on the bonds less \$329,368 of underwriting fees and other issuance costs) were used to purchase U.S. and State and Local Government Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds was removed from the long-term debt of the District. The refunded bonds will be repaid between February 2021 and February 2023, the call date of the bonds. The reacquisition price was more than the net carrying amount of the old debt by \$45,018. This amount is being amortized over the remaining life of the refunded debt, which is the same as the life of the new refunded debt issued. In addition, the refunding resulted in an economic gain of \$10,454,485 (the present value of debt service savings).

In January 2021, the District advance refunded \$2,830,000 (par value) of bonds by paying \$2,961,369 of District funds into an irrevocable escrow account. No refunding bonds were issued. All future payments on the refunded bonds will be paid from the escrow account. The refunded bonds will be redeemed in August 2023, the call date of the bonds.

In August 2020, the District remarketed the Series 2017-B variable rate bonds. The remarketing reduced the par amount outstanding from \$32,715,000 (par value), to \$31,465,000 (par value). The premium on the remarketing amounted to \$1,429,770.

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

Balance – June 30, 2020	\$ 2,657,777
Current year deferred loss on bond refunding/remarketing	3,584,560
Write off of prior deferred loss on refunded/reemarketed bonds	(2,900,878)
Current year amortization	<u>(421,760)</u>
Balance – June 30, 2021	<u>\$ 2,919,699</u>

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**NOTE 7. 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 2020-21 fiscal year was based was \$5,881,737,435. 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, 2021, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$0.8898 and \$0.49 per \$100 valuation, respectively, for a total of \$1.47 per \$ 100 valuation.

Current tax collections for the year ended June 30, 2021 were 99.10% 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, 2021, property taxes receivable, net of estimated uncollectible taxes, totaled \$742,433 and \$385,504 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 8. 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 Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://trs.texas.gov/pages/aboutpublications.aspx>, by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512)542-6592.

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**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.

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. Actuarial implications of the funding provided in this manner are determined by the System's actuary.

In May, 2019, the 86<sup>th</sup> Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. This action causing the pension fund to be actuarially sound, allowed the legislature to approve funding for a 13<sup>th</sup> check in September 2019. All eligible members retired as of December 31, 2018 received an extra annuity check in either the matching amount of their monthly annuity or \$2,000, whichever was less.

**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.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86<sup>th</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 thru 2025.

<u>Contribution Rates</u>		
	<u>2020</u>	<u>2021</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	7.5%	7.5%
Employers	7.5%	7.5%
Midlothian ISD FY2021 Employer Contributions	\$	1,742,107
Midlothian ISD FY2021 Member Contributions	\$	4,713,211
Midlothian ISD FY2021 NECE On-Behalf Contributions	\$	3,682,573

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 the TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

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As the non-employer contributing entity for public education, 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 including public schools 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.
- When the employing district is a public school, the employer shall contribute 1.5% of covered payroll to the pension fund beginning in fiscal year 2020. The contribution rate called the Public Education Employer Contribution replaced the Non (OASDI) surcharge that was in effect in fiscal year 2019.

In addition to the employer contributions listed above, there is an 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.

**Actuarial Assumptions.** The total pension liability in the August 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return .	7.25%
Municipal Bond Rate as of August 2020	2.33%
Inflation	2.30%
Salary Increases Including Inflation	3.05% to 9.05%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

The actuarial methods and assumptions are used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2019. For a full description of these assumptions please see the actuarial valuation report dated November 14, 2019.

**Discount Rate.** A single discount rate of 7.25 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.25 percent. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50 percent of payroll in fiscal year 2020 gradually increasing to 9.55 percent of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investments is 7.25%.

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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 geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2020 are summarized below:

Asset Class	Target Allocation <sup>1</sup>	Long-Term Expected Arithmetic Real Rate of Return <sup>2</sup>	Expected Contribution To Long-Term Portfolio Returns
<b>Global Equity</b>			
U.S.	18%	3.9%	0.99%
Non-U.S. Developed	13%	5.1%	0.92%
Emerging Markets	9%	5.6%	0.83%
Private Equity	14%	6.7%	1.41%
<b>Stable Value</b>			
Government Bonds	16%	-7%	-0.05%
Stable Value Hedge Funds	5%	1.9%	0.11%
<b>Real Return</b>			
Real Estate	15%	4.6%	1.01%
Energy, Natural Resources	6%	6%	0.42%
<b>Risk Parity</b>			
Risk Parity	8%	3%	0.30%
<b>Leverage</b>			
Cash	2%	-1.5%	-0.03%
Asset Allocation Leverage	-6%	-1.3%	0.08%
Inflation Expectation	-		2.00%
Volatility Drag <sup>3</sup>	-		-0.67%
<b>Total</b>	<u>100%</u>		<u>7.33%</u>

**Discount Rate Sensitivity Analysis.** The following table presents the Net Pension Liability of the plan using the discount rate of 7.25 percent, and what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate.

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
Midlothian ISD's proportionate share of the net pension liability:	\$34,299,604	\$22,239,581	\$12,446,841

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** At June 30, 2021, Midlothian Independent School District reported a liability of \$22,239,581 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:

<sup>1</sup> Target allocations are based on the FY20 policy model.

<sup>2</sup> Capital Market Assumptions come from Aon Hewitt (as of 08/31/2020).

<sup>3</sup> The volatility drag results from the conversion between arithmetic and geometric mean returns.

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District's Proportionate share of the collective net pension liability	\$22,239,581
State's proportionate share that is associated with the District	<u>42,678,106</u>
Total	<u>\$64,917,687</u>

The net pension liability was measured as of August 31, 2019 and rolled forward to August 31, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2019 thru August 31, 2020.

At August 31, 2020 the employer's proportion of the collective net pension liability was 0.0415243%, a decrease of 3.86% from its proportionate share of 0.0431895% at August 31, 2019.

**Changes Since the Prior Actuarial Valuation** – There were no changes in assumptions since the measurement period.

For the year ended June 30, 2021, Midlothian Independent School District recognized pension expense of \$3,682,573 and revenue of \$3,682,573 for support provided by the State.

At June 30, 2021, 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 (The amounts shown below will be the cumulative layers from the current and prior years combined.):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 40,608	\$ 620,648
Changes in actuarial assumptions	5,160,374	2,194,155
Difference between projected and actual investment earnings	450,222	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2,335,264	609,970
Contributions paid to TRS subsequent to the measurement date	1,468,565	-
Total	\$9,455,033	\$3,424,773

The net amounts of the District's balances of deferred outflows and inflows of resources (not including the deferred contribution paid subsequent to the measurement date) related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Pension Expense Amount
2022	\$ 1,399,126
2023	1,591,962
2024	1,401,698
2025	490,787
2026	(282,539)
Thereafter	(39,339)

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**NOTE 9. 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 with 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. The TRS-Care program was established in 1986 by the Texas Legislature.

The TRS Board of Trustees administers the TRS-Care program and the related fund in accordance with Texas Insurance Code Chapter 1575. 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. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

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

**Benefits Provided.** TRS-Care provides health insurance coverage to 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 non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. There are no automatic post-employment benefit changes; including automatic COLAs.

The premium rates for retirees are reflected in the following table:

<b>TRS-Care Monthly for Retirees</b>		
	<u><b>Medicare</b></u>	<u><b>Non-Medicare</b></u>
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 .65% 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.

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	<u>Contribution Rates</u>	
	<u>2020</u>	<u>2021</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 FY21 Employer Contributions	 \$481,496	
Midlothian ISD FY21 Member Contributions	\$397,870	
Midlothian ISD FY21 NECE On-behalf Contributions	\$748,299	

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 hiring a TRS retiree, employers 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 \$230.8 million in fiscal year 2020 to maintain premiums and benefit levels in the 2020-2021 biennium.

**Actuarial Assumptions.** The actuarial valuation was performed as of August 31, 2019. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2020.

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. All the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation and salary increases, used in the OPEB valuation were identical to those used in the respective TRS pension valuation. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2019 TRS pension actuarial valuation that was rolled forward to August 31, 2020:

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

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the recent published scale (U-MP).



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***Additional Actuarial Methods and Assumptions:***

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.33%
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
Projected Salary Increases	3.05% to 9.05%, including inflation
Election Rates	Normal Retirement: 65% participation prior to age 65 and 40% participation after age 65
Ad hoc post-employment benefit changes	None

***Discount Rate.*** A single discount rate of 2.33% was used to measure the total OPEB liability. There was a decrease of 0.30 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 used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability.

The source of the municipal bond rate is the Fidelity “20-year Municipal GO AA Index” as of August 31, 2020 using the fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

***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 (2.33%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (1.33%)	Current Single Discount Rate (2.33%)	1% Increase in Discount Rate (3.33%)
District’s proportionate share of the Net OPEB Liability:	\$27,281,338	\$22,734,492	\$19,143,136

***Healthcare Cost Trend Rates Sensitivity Analysis*** - The following shows the impact of the net OPEB liability if a healthcare trend rate that is one-percentage less than or one-percentage point greater than the health trend rates is assumed.

	1% Decrease in Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
District’s proportionate share of the Net OPEB Liability:	\$18,571,167	\$22,734,492	\$28,279,452

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***OPEB Liabilities, OPEB Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs.*** At June 30, 2021, the District reported a liability of \$22,734,492 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	\$22,734,492
State's proportionate share that is associated with the District	<u>\$30,549,707</u>
Total	<u>\$53,284,199</u>

The Net OPEB Liability was measured as of August 31, 2019 and rolled forward to August 31, 2020 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, 2019 thru August 31, 2020.

At August 31, 2020 the employer's proportion of the collective Net OPEB Liability was 0.05980477%, an increase of 4.57% compared to the August 31, 2019 proportionate share of 0.05719342%.

**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 discount rate changed from 2.63 percent as of August 31, 2019 to 2.33 percent as of August 31, 2020. This change increased the Total OPEB Liability.
- The participation rate for post-65 retirees was lowered from 50 percent to 40 percent. This change lowered the Total OPEB Liability.
- The ultimate health care trend rate assumption was lowered from 4.50 percent to 4.25 percent as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change lowered the Total OPEB Liability.

**Changes of Benefit Terms Since the Prior Measurement Date** – There were no changes in benefit terms since the prior measurement date.

For the year ended June 30, 2021, the amount of OPEB expense recognized by the District in the reporting period was \$(362,332).

At June 30, 2021, 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	\$1,190,369	\$10,404,466
Changes in actuarial assumptions	1,402,245	6,243,009
Difference between projected and actual investment earnings	7,388	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	3,984,131	-
Contributions paid to TRS subsequent to the measurement date	405,919	-
Total	\$6,990,052	\$16,647,475

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

Year ended June 30:	OPEB Expense Amount
2022	\$ (1,759,306)
2023	(1,760,294)
2024	(1,760,859)
2025	(1,760,704)
2026	(1,153,458)
Thereafter	(1,868,721)

**NOTE 10. 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, 2021, 2020 and 2019, the subsidy payments received by TRS-Care on behalf of the District were \$302,573, \$245,718 and \$185,984, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statement of the District.

**NOTE 11. HEALTH CARE**

During the year ended June 30, 2021, employees of Midlothian Independent School District were covered by a health insurance plan (the Plan). The District contributed \$300 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 12. WORKERS COMPENSATION**

During the year ended June 30, 2021, 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 2021 deductible was \$236,861.

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, 2020, the Fund carries a discounted reserve of \$44,135,645 for future development on reported claims and claims that have been incurred but not yet reported. For the year-ended June 30, 2021, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions and reimbursable aggregate deductibles.

**MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

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, 2020, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

Changes in workers compensation claims liability amounts in fiscal year 2021 and 2020 are presented below:

Fiscal Year	July 1 Claims Liability	Claims and Changes in Estimates	Claims Payments	June 30 Claims Liability
2021	\$112,567	\$197,505	\$172,583	\$137,489
2020	84,518	139,520	111,471	112,567

**NOTE 13. 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, 2021, 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	\$6,806,424	\$ -	\$17,483	\$6,823,907
Special Revenue	19,792	2,456,419	-	2,476,211
Debt Service	-	-	-	-
Total	<u>\$6,826,216</u>	<u>\$2,456,419</u>	<u>\$17,483</u>	<u>\$9,300,118</u>

**NOTE 14. INTERFUND BALANCES AND ACTIVITIES**

Interfund receivables and payables at June 30, 2021 represented short-term advances between funds. These amounts are expected to be repaid in less than one year from June 30, 2021.

Fund	Due from Other Funds	Due to Other Funds
Major Governmental Funds:		
General Fund:		
Non-Major Special Revenue Fund	\$ -	\$23,214
Custodial Fund	-	709
Total Major Governmental Funds	-	<u>23,923</u>
Nonmajor Governmental Funds:		
Special Revenue Funds:		
General Fund	<u>23,214</u>	-
Total Nonmajor Governmental Funds	<u>23,214</u>	-
Custodial Fund	<u>709</u>	-
Total	<u>\$23,923</u>	<u>\$23,923</u>

There were no transfers between funds during the year ended June 30, 2021.

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021

**NOTE 15. 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, 2021 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, 2021, 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	\$44,436,126	\$ -	\$28,128,506	\$ -	\$72,564,632
Property Taxes – TIF	6,711,950	-	-	-	6,711,950
TIF Payment	1,190,509	-	-	-	1,190,509
Food Sales	-	518,439	-	-	518,439
Investment Income	25,684	1,399	9,755	108,107	144,945
Penalties, interest and other tax related income	216,074	-	114,065	-	330,139
Co-curricular student activities	285,494	525,542	-	-	811,036
Other	2,730,885	480,281	-	-	3,211,166
Total	<u>\$55,596,722</u>	<u>\$1,525,661</u>	<u>\$28,252,326</u>	<u>\$108,107</u>	<u>\$85,482,816</u>

**NOTE 17. UNEARNED REVENUE**

Unearned revenue at June 30, 2021 consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Total
Insurance Proceeds	\$47,487	\$ -	\$ -	\$ 47,487
Student Accounts	-	113,932	-	113,932
Grant Revenue	-	8,557	-	8,557
	<u>\$47,487</u>	<u>\$122,489</u>	<u>\$ -</u>	<u>\$169,976</u>

**NOTE 18. CONSTRUCTION COMMITMENTS**

As of June 30, 2021, the District had entered into contracts for various construction and renovation projects totaling \$86.3 million. At June 30, 2021, there was \$52.5 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, 2021

**NOTE 19. RISKS AND UNCERTAINTIES**

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the “Pandemic”) by the World Health Organization and is currently affecting many parts of the world, including the United States and the State of Texas. On January 31, 2021, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President’s Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

On March 13, 2020, the Governor of Texas (the “Governor”) declared a state of disaster for all counties in the State in response to the Pandemic, which disaster declaration he has subsequently extended. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting State business or any order or rule of a State agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has issued a series of executive orders relating to COVID-19 preparedness and mitigation.

On June 3, 2021, TEA issued updated public planning health guidance in accordance with Executive Order GA-36 (which became effective June 5, 2021), to address on-campus instruction, administrative activities by teachers, staff or students that occur on school campuses, non-UIL extracurricular sports and activities, and any other activities that teachers, staff, or students must complete. Within the guidance, TEA instructs schools that, per Executive Order GA-36, school systems cannot require students or staff to wear a mask; however, school systems must allow individuals to wear a mask if they choose to do so.

Within the guidance, TEA instructs schools to notify their local health department, in accordance with applicable federal, state, and local laws and regulations, including any applicable confidentiality requirements, of individuals who have been in a school and test-confirmed to have COVID-19. Additionally, upon receipt of information that any teacher, staff member, student, or visitor at a school is test-confirmed to have COVID-19, the school must submit a report to the Texas Department of Health Services via its online portal.

The TEA advised districts that for the 2020-2021 school year district funding would return to being based on “Average Daily Attendance” (being generally calculated as the sum of student attendance for each State-mandated day of instruction divided by the number of State-mandated days of instruction, defined herein as “ADA”) calculations requiring attendance to be taken. However, the TEA has crafted an approach for determining ADA during the pandemic that provides districts with several options for determining daily attendance. These include remote synchronous instruction, remote asynchronous instruction, on-campus instruction and the Texas Virtual Schools Network. To stabilize funding expectations, districts were initially provided an ADA grace period for the first two six weeks of the 2020-2021 school year. If a district’s first two six-weeks average ADA is less than the ADA hold harmless projections (described below), the first two six-week attendance reporting periods for 2020-2021 were excluded from the calculation of annual ADA and student full-time equivalents (“FTE”) for Foundation School Program (“FSP”) funding purposes and replaced with the ADA and FTE hold harmless projections that were derived using a three-year average trend of final numbers from the 2017-2018 through 2019-2020 school years, unless the projection is both (i) 15% higher and (ii) 100 ADA higher than the 2020-2021 legislative planning estimate (“LPE”) projections provided by the TEA to the State legislature pursuant to Section 48.269 of the Texas Education Code, in which case the 2020-2021 LPE ADA and FTE were used as the hold harmless projections.

The ADA hold harmless projection was also available for the third six-week attendance reporting period, but only for those districts that allowed on-campus instruction throughout the entire third six-week period, as further described below. The ADA hold harmless methodology was identical to the methodology used for the first two six-week attendance reporting periods, except that the third six-week period was examined independent of the first two six-week attendance reporting periods.

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021

The ADA hold harmless projection was extended for the remainder of the 2020-2021 school year (the fourth, fifth, and sixth six-week attendance reporting periods). In order to qualify, a district must meet certain criteria established by the TEA related to on-campus.

The full extent of the ongoing impact of COVID-19 on the District's longer-term operational and financial performance will depend on future developments, many of which are outside of its control, including the effectiveness of the mitigation strategies discussed above, the duration and spread of COVID-19, and future governmental actions, all of which are highly uncertain and cannot be predicted. The District continues to monitor the spread of COVID-19 and is working with local, State and national agencies to address the potential impact of the Pandemic upon the District. While the potential impact of the Pandemic on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. These negative impacts may reduce or negatively affect property values within the District. The District's bonded debt is secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

Additionally, State funding of District operations and maintenance in future fiscal years could be adversely impacted by the negative effects on economic growth and financial markets resulting from the Pandemic as well as ongoing disruptions in the global oil markets.

## 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, 2021

	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018
District's Proportion of the Net Pension Liability (Asset)	0.0415243%	0.0431895%	0.0409407%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 22,239,581	\$ 22,451,244	\$ 22,534,778
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	42,678,106	37,628,533	39,670,943
Total	<u>\$ 64,917,687</u>	<u>\$ 60,079,777</u>	<u>\$ 62,205,721</u>
District's Covered Payroll	\$ 57,211,357	\$ 51,728,264	\$ 48,041,971
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	38.87%	43.40%	46.91%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.54%	75.24%	73.74%

Note: GASB Codification, Vol. 2, P20.183 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, 2019 for year 2020, 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 year 2015.

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.

<u>FY 2018</u>		<u>FY 2017</u>		<u>FY 2016</u>		<u>FY 2015</u>	
<u>Plan Year 2017</u>		<u>Plan Year 2016</u>		<u>Plan Year 2015</u>		<u>Plan Year 2014</u>	
0.0376374%		0.0348517%		0.0337998%		0.02015%	
\$	12,034,410	\$	13,169,930	\$	11,947,779	\$	5,382,344
23,641,771		27,244,383		25,893,230		21,144,186	
\$	35,676,181	\$	40,414,313	\$	37,841,009	\$	26,526,530
\$	45,407,295	\$	41,740,054	\$	39,123,164	\$	36,658,934
26.50%		31.55%		30.54%		14.68%	
82.17%		78.00%		78.43%		83.25%	

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR FISCAL YEAR 2021

	2021	2020	2019
Contractually Required Contribution	\$ 1,742,107	\$ 1,662,892	\$ 1,490,880
Contribution in Relation to the Contractually Required Contribution	(1,742,107)	(1,662,892)	(1,490,880)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 61,271,767	\$ 56,336,891	\$ 51,003,623
Contributions as a Percentage of Covered Payroll	2.84%	2.95%	2.92%

Note: GASB Codification, Vol. 2, P20.183 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.

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.

2018		2017		2016		2015	
\$	1,340,831	\$	1,201,851	\$	1,085,237	\$	914,025
	(1,340,831)		(1,201,851)		(1,085,237)		(914,025)
\$	-	\$	-	\$	-	\$	-
\$	47,551,680	\$	44,717,056	\$	41,426,114	\$	38,651,438
	2.82%		2.69%		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, 2021

	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.05980477%	0.05719342%	0.05575242%	\$ 0.05131726%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 22,734,492	\$ 27,047,472	\$ 27,837,693	\$ 22,315,951
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	30,549,707	35,940,039	42,330,975	\$ 36,755,075
Total	<u>\$ 53,284,199</u>	<u>\$ 62,987,511</u>	<u>\$ 70,168,668</u>	<u>\$ 59,071,026</u>
District's Covered Payroll	\$ 57,211,357	\$ 51,728,264	\$ 48,041,976	\$ 45,407,295
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	39.74%	52.29%	57.94%	\$ 49.15%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	4.99%	2.66%	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 2021 are for the measurement date of August 31, 2020. The amounts for FY 2020 are for the measurement date of August 31, 2019. The amounts for FY 2019 are for the measurement date August 31, 2018. 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 2021

	2021	2020	2019	2018
Contractually Required Contribution	\$ 481,496	\$ 440,978	\$ 400,453	\$ 357,241
Contribution in Relation to the Contractually Required Contribution	(481,496)	(440,978)	(400,453)	(357,241)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 61,271,767	\$ 56,336,896	\$ 51,003,623	\$ 47,551,680
Contributions as a Percentage of Covered Payroll	0.79%	0.78%	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, 2021

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:*

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

OPEB LIABILITY:

*Changes of benefit terms:*

There were no changes in benefit terms since the prior measurement date.

*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 discount rate changed from 2.63 percent as of August 31, 2019 to 2.33 percent as of August 31, 2020. This change increased the Total OPEB Liability.
- The participation rate for post-65 retirees was lowered from 50 percent to 40 percent. This change lowered the Total OPEB Liability.
- The ultimate health care trend rate assumption was lowered from 4.50 percent to 4.25 percent as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change lowered the Total OPEB Liability.

## COMBINING SCHEDULES



MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2021

Data Control Codes		211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ (152,781)	\$ (87,726)	\$ 3,754	\$ 871,596
1240	Due from Other Governments	211,611	241,069	-	75,383
1260	Due from Other Funds	-	11,597	-	-
1290	Other Receivables	-	-	-	-
1000	Total Assets	<u>\$ 58,830</u>	<u>\$ 164,940</u>	<u>\$ 3,754</u>	<u>\$ 946,979</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ -	\$ 6,282	\$ -	\$ 106
2150	Payroll Deductions and Withholdings Payable	-	408	-	28
2160	Accrued Wages Payable	58,830	158,250	3,754	4,439
2300	Unearned Revenue	-	-	-	113,932
2000	Total Liabilities	<u>58,830</u>	<u>164,940</u>	<u>3,754</u>	<u>118,505</u>
<b>FUND BALANCES</b>					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	828,474
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>828,474</u>
4000	Total Liabilities and Fund Balances	<u>\$ 58,830</u>	<u>\$ 164,940</u>	<u>\$ 3,754</u>	<u>\$ 946,979</u>

244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	266 ESSER -School Emergency Relief	276 Instructional Continuity	281 ESSER-School Emergency Relief-II	289 Other Federal Special Revenue Funds	392 Non-Ed. Community Based Support
\$ (13,728)	\$ (19,648)	\$ (3,920)	\$ (23,480)	\$ -	\$ (1,860,808)	\$ -	\$ (1,071)
12,752	26,325	3,920	23,480	-	1,860,808	-	1,071
-	11,597	-	-	-	-	-	-
1,079	-	-	-	-	-	-	-
<u>\$ 103</u>	<u>\$ 18,274</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ 9,547	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
103	8,727	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>103</u>	<u>18,274</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 103</u>	<u>\$ 18,274</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2021

Data Control Codes		397 Advanced Placement Incentives	410 State Instructional Materials	429 Other State Special Revenue Funds	461 Campus Activity Funds
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ -	\$ (14,433)	\$ 8,161	\$ 844,705
1240	Due from Other Governments	-	15,546	4,246	-
1260	Due from Other Funds	-	-	-	-
1290	Other Receivables	-	-	-	3,516
1000	Total Assets	<u>\$ -</u>	<u>\$ 1,113</u>	<u>\$ 12,407</u>	<u>\$ 848,221</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ -
2150	Payroll Deductions and Withholdings Payable	-	-	103	-
2160	Accrued Wages Payable	-	-	3,747	-
2300	Unearned Revenue	-	-	8,557	-
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>12,407</u>	<u>-</u>
<b>FUND BALANCES</b>					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	1,113	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	848,221
3000	Total Fund Balances	<u>-</u>	<u>1,113</u>	<u>-</u>	<u>848,221</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 1,113</u>	<u>\$ 12,407</u>	<u>\$ 848,221</u>

480 Athletic Summer Camps	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
\$ 164,126	\$ 198,169	\$ (87,084)
-	-	2,476,211
20	-	23,214
4,100	-	8,695
<u>\$ 168,246</u>	<u>\$ 198,169</u>	<u>\$ 2,421,036</u>
\$ -	\$ 140	\$ 16,075
1,202	73	1,814
43,950	72,502	354,302
-	-	122,489
<u>45,152</u>	<u>72,715</u>	<u>494,680</u>
-	-	829,587
123,094	125,454	1,096,769
<u>123,094</u>	<u>125,454</u>	<u>1,926,356</u>
<u>\$ 168,246</u>	<u>\$ 198,169</u>	<u>\$ 2,421,036</u>

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 519,043
5800 State Program Revenues	-	-	-	20,579
5900 Federal Program Revenues	401,008	1,444,338	14,130	3,224,339
5020 Total Revenues	401,008	1,444,338	14,130	3,763,961
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	393,258	1,081,956	14,130	-
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	5,750	20,826	-	-
0021 Instructional Leadership	-	34,894	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling, and Evaluation Services	-	300,581	-	-
0033 Health Services	-	1,287	-	-
0034 Student (Pupil) Transportation	-	4,794	-	-
0035 Food Services	-	-	-	3,453,463
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	48,128
0052 Security and Monitoring Services	-	-	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	2,000	-	-	-
6030 Total Expenditures	401,008	1,444,338	14,130	3,501,591
1200 Net Change in Fund Balance	-	-	-	262,370
0100 Fund Balance - July 1 (Beginning)	-	-	-	566,104
3000 Fund Balance - June 30 (Ending)	\$ -	\$ -	\$ -	\$ 828,474

244	255	263	266	276	281	289	392
Career and Technical - Basic Grant	ESEA II,A Training and Recruiting	Title III, A English Lang. Acquisition	ESSER -School Emergency Relief	Instructional Continuity	ESSER-School Emergency Relief-II	Other Federal Special Revenue Funds	Non-Ed. Community Based Support
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
52,984	134,651	19,555	335,115	10,486	1,805,889	28,768	-
52,984	134,651	19,555	335,115	10,486	1,805,889	28,768	-
50,332	46,582	4,905	47,156	10,486	1,344,507	21,000	-
-	-	-	-	-	14,964	-	-
-	88,069	14,650	-	-	14,203	1,700	-
-	-	-	-	-	10,652	-	-
2,652	-	-	-	-	78,999	-	-
-	-	-	-	-	49,203	6,068	-
-	-	-	12,080	-	18,058	-	-
-	-	-	8,850	-	49,711	-	-
-	-	-	-	-	1,522	-	-
-	-	-	159	-	10,297	-	-
-	-	-	10,846	-	27,899	-	-
-	-	-	256,024	-	139,370	-	-
-	-	-	-	-	13,259	-	-
-	-	-	-	-	16,739	-	-
-	-	-	-	-	16,506	-	-
52,984	134,651	19,555	335,115	10,486	1,805,889	28,768	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021

Data Control Codes	397 Advanced Placement Incentives	410 State Instructional Materials	429 Other State Special Revenue Funds	461 Campus Activity Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 327,309
5800 State Program Revenues	12,550	560,403	163,366	-
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	12,550	560,403	163,366	327,309
EXPENDITURES:				
Current:				
0011 Instruction	-	560,403	4,813	83,966
0012 Instructional Resources and Media Services	-	-	-	9,232
0013 Curriculum and Instructional Staff Development	12,550	-	-	282
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	61,892
0031 Guidance, Counseling, and Evaluation Services	-	-	6,630	-
0033 Health Services	-	-	-	-
0034 Student (Pupil) Transportation	-	-	-	263
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	41,332
0041 General Administration	-	-	-	21,608
0051 Facilities Maintenance and Operations	-	-	-	193
0052 Security and Monitoring Services	-	-	151,923	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	-	-	-	-
6030 Total Expenditures	12,550	560,403	163,366	218,768
1200 Net Change in Fund Balance	-	-	-	108,541
0100 Fund Balance - July 1 (Beginning)	-	1,113	-	739,680
3000 Fund Balance - June 30 (Ending)	\$ -	\$ 1,113	\$ -	\$ 848,221

480	499	Total
Athletic	Other Local	Nonmajor
Summer	Special	Governmental
Camps	Revenue Funds	Funds
\$ 198,888	\$ 480,421	\$ 1,525,661
-	-	756,898
-	-	7,471,263
198,888	480,421	9,753,822
-	-	3,663,494
-	-	24,196
-	-	158,030
-	-	45,546
-	-	143,543
-	-	362,482
-	-	31,425
-	-	63,618
-	-	3,454,985
138,695	-	190,483
-	-	60,353
-	-	443,715
-	-	165,182
-	-	16,739
-	493,060	511,566
138,695	493,060	9,335,357
60,193	(12,639)	418,465
62,901	138,093	1,507,891
\$ 123,094	\$ 125,454	\$ 1,926,356



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## REQUIRED T.E.A. SCHEDULES

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED JUNE 30, 2021

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised
	Maintenance	Debt Service	Value for School Tax Purposes
2012 and prior years	Various	Various	\$ Various
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	1.040000	0.500000	4,619,229,379
2020	0.970000	0.500000	5,191,677,325
2021 (School year under audit)	0.889800	0.490000	5,881,737,435
1000 TOTALS			
9000 Portion of Row 1000 for Taxes Paid into Tax Increment Zone (See Footnote)			\$ <u>754,956,731</u>

(10) Beginning Balance 7/1/2020	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2021
\$ 55,838	\$ -	\$ 7,851	\$ 2,518	\$ (1,641)	\$ 43,828
18,892	-	3,374	1,622	(77)	13,819
18,636	-	3,151	1,515	(220)	13,750
67,406	-	58,551	28,149	46,886	27,592
85,027	-	64,729	31,120	44,992	34,170
105,825	-	65,862	31,664	37,690	45,989
124,337	-	88,217	42,412	83,338	77,046
164,781	-	84,272	40,515	77,840	117,834
606,355	-	287,349	148,118	227	171,115
-	79,431,313	50,478,089	27,797,554	(447,551)	708,119
<u>\$ 1,247,097</u>	<u>\$ 79,431,313</u>	<u>\$ 51,141,445</u>	<u>\$ 28,125,187</u>	<u>\$ (158,516)</u>	<u>\$ 1,253,262</u>
<u>\$ -</u>	<u>\$ 10,408,124</u>	<u>\$ 6,711,950</u>	<u>\$ 3,696,174</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, 2021

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	\$ 2,438,261	\$ 710,249	\$ 519,043	\$ (191,206)
5800 State Program Revenues	11,668	20,580	20,579	(1)
5900 Federal Program Revenues	1,428,487	3,198,487	3,224,339	25,852
5020 Total Revenues	3,878,416	3,929,316	3,763,961	(165,355)
EXPENDITURES:				
Current:				
0035 Food Services	3,633,083	3,809,083	3,453,463	355,620
0051 Facilities Maintenance and Operations	57,100	57,100	48,128	8,972
6030 Total Expenditures	3,690,183	3,866,183	3,501,591	364,592
1200 Net Change in Fund Balances	188,233	63,133	262,370	199,237
0100 Fund Balance - July 1 (Beginning)	566,104	566,104	566,104	-
3000 Fund Balance - June 30 (Ending)	\$ 754,337	\$ 629,237	\$ 828,474	\$ 199,237

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, 2021

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	\$ 28,229,986	\$ 28,277,988	\$ 28,252,326	\$ (25,662)
5800 State Program Revenues	407,464	211,894	211,894	-
5020 Total Revenues	28,637,450	28,489,882	28,464,220	(25,662)
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Debt	7,378,729	41,528,729	41,528,728	1
0072 Interest on Long-Term Debt	18,945,419	17,868,543	17,868,539	4
0073 Bond Issuance Cost and Fees	20,000	4,179,985	4,174,234	5,751
6030 Total Expenditures	26,344,148	63,577,257	63,571,501	5,756
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	2,293,302	(35,087,375)	(35,107,281)	(19,906)
OTHER FINANCING SOURCES (USES):				
7911 Capital Related Debt Issued	-	136,180,000	136,180,000	-
7916 Premium or Discount on Issuance of Bonds	-	16,702,272	16,702,271	(1)
8949 Other (Uses)	(2,293,302)	(118,962,545)	(118,962,544)	1
7080 Total Other Financing Sources (Uses)	(2,293,302)	33,919,727	33,919,727	-
1200 Net Change in Fund Balances	-	(1,167,648)	(1,187,554)	(19,906)
0100 Fund Balance - July 1 (Beginning)	17,881,312	17,881,312	17,881,312	-
3000 Fund Balance - June 30 (Ending)	\$ 17,881,312	\$ 16,713,664	\$ 16,693,758	\$ (19,906)

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## FEDERAL AWARDS SECTION



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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, 2021, 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 5, 2021.

**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, PC  
Denton, Texas

October 5, 2021

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, 2021. 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, 2021.

## 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, PC  
Denton, Texas

October 5, 2021

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2021

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:  
  
AFLN 84.425D Elementary & Secondary School Emergency Relief II  
  
AFLN 84.425D Prior Purchase Reimbursement Program
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, 2021

No prior findings.

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2021

**CORRECTIVE ACTION PLAN**

None required.



MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal Assistance Listing No.	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through Region 10 Education Service Center</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	20610101057950	\$ 401,008
Title III, Part A - English Language Acquisition	84.365A	20671001057950	19,555
Total Passed Through Region 10 Education Service Center			420,563
<u>Passed Through State Department of Education</u>			
*IDEA - Part B, Formula	84.027	206600010709086600	1,444,338
*IDEA - Part B, Preschool	84.173	206610010409086610	14,130
Total Special Education Cluster (IDEA)			1,458,468
Career and Technical - Basic Grant	84.048	20420006070908	52,984
ESEA, Title II, Part A, Teacher Principal Training	84.367A	20694501070908	134,651
Instructional Continuity	84.377A	17610740070908	10,486
ESEA, Title IV, Part A - Student Support	84.424A	21680101070908	28,768
Elementary & Secondary School Emergency Relief Fd	84.425D	20521001070908	335,115
Elementary Secondary School Emergency Relief II	84.425D	21521001070908	1,223,608
Prior Purchase Reimbursement Program	84.425D	52102135	582,281
Total Assistance Listing Number 84.425			2,141,004
Total Passed Through State Department of Education			3,826,361
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			4,246,924
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<u>Passed Through Texas Health and Human Services Commission</u>			
Medicaid Administrative Claiming Program - MAC	93.778	529-13-0035-00004	22,264
Total Passed Through Texas Health and Human Services Commission			22,264
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			22,264
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71402101	568,740
*National School Lunch Program - Cash Assistance	10.555	71302001	2,455,823
*National School Lunch Prog. - Non-Cash Assistance	10.555	71302101	199,776
Total Assistance Listing Number 10.555			2,655,599
Total Child Nutrition Cluster			3,224,339
Total Passed Through the State Department of Agriculture			3,224,339
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			3,224,339
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			\$ 7,493,527

\*Clustered Programs

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

MIDLOTHIAN INDEPENDENT SCHOOL DISTRICT  
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2021

- For all Federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*.
- **General Fund** - is used to account for among other things, resources related to the United States Department of Defense ROTC program and the United States Department of Education's Impact Aid.
- **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.
- 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 or, in some instances, in the General Fund which are Governmental Fund type funds.

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 in the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned.

- The period of performance for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 90 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Performance of Federal Funds, 3 CFR Section 200.343 (b).
- FALN numbers for commodity assistance are the FALN numbers of the programs under which USDA donated the commodities.
- Indirect cost reimbursement for federal programs for this fiscal year was received in the amount of \$-0-.
- Reconciliation Information:

Amount reported on the Schedule of Expenditures of Federal awards	\$7,493,527
SHARS Revenue reported in the General Fund	857,914
SHARS Supplemental revenue reported in the General Fund	41,094
Plus Revenue Received from Coronavirus Relief Fund for FY20 Expenditures:	
Passed through TEA (PPRP)	54,919
Passed through FEMA	35,015
Passed through TDEM	<u>213,392</u>
Total Federal Program Revenue	<u>\$8,695,861</u>

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