



Financial Statements
June 30, 2020

Midland Independent School District

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Certificate of the Board

Midland Independent School District
Name of School District

Midland
County

165-901
County - District 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, 2020 at a meeting of the Board of Trustees of such school district on the 14th day of December 2020.

Bryan Murry
Signature of Board Secretary

Rick Davis
Signature of Board President

If the board of trustees disapproves of the auditors' report, the reason(s) for disapproving it is/are:
(attach list if necessary)



Independent Auditor's Report

The Board of Trustees of
Midland Independent School District
Midland, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Midland Independent School District (the District) as of and for the year ended June 30, 2020, 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 Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 entity'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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the District as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity 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, budgetary comparison information, pension plan schedules and OPEB plan schedules on pages 5 through 16 and 61 through 67 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods or 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 the District's financial statements. The combining nonmajor fund financial statements and the TEA required schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the financial statements.

The combining nonmajor fund financial statements, the TEA required 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 nonmajor fund financial statements, the TEA required 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 a report dated December 14, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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 the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Abilene, Texas
December 14, 2020

The management of Midland Independent School District (“the District”) offer readers of the annual financial report this narrative discussion and analysis of the District’s financial performance for the year ended June 30, 2020. Readers are encouraged to consider the information presented here in conjunction with the District’s financial statements, which follow this analysis.

FINANCIAL HIGHLIGHTS

- The 86th Texas Legislature passed House Bill 3 (HB 3) on June 11, 2019. The bill made significant changes to the state’s funding formula, including the calculation of local property taxes and recapture:
 - The District’s Maintenance and Operations (M&O) tax rate decreased to \$0.97005 per \$100 valuation for the 2019-20 school year from \$1.04005 per \$100 valuation in the 2018-19 school year.
 - Recapture became local revenue in excess of entitlement, instead of on a wealth per Weighted Average Daily Attendance (WADA) basis. In addition, recapture is based on current year property values instead of previous year.
 - A transition provision, Equalized Wealth Transition Grant (“transition”), holds the district harmless in that it ensures the district will get at least 3% more funding than if calculated under prior law.
- The 116th Congress of the United States passed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) on March 25, 2020 to provide emergency assistance in response to the 2020 coronavirus pandemic (COVID-19). As a result, the Texas Education Agency (TEA) used the CARES Act funding for the State’s foundation school program and the District recognized a reduction in state aid through increased recapture, net of \$3.3 million, in 2019-20 school year. These funds will offset in the 2020-21 school year through dollars received through the Elementary and Secondary School Emergency Relief Fund (ESSER).
- At the close of the year ended June 30, 2020, the District’s assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources. Net position was \$145 million.
- The government-wide statements reported total revenues of \$501 million, which exceeded total expenditures of \$417 million and resulted in a net increase of net position of \$84 million.
- The governmental funds financial statements reported combined ending fund balance of \$190 million for the year ending June 30, 2020, an increase of \$59 million in comparison with the prior year. This balance consists of \$158 million in the General Fund, \$109 million of which is unassigned and available for spending at the District’s discretion, and \$43 million assigned for future capital projects, technology projects, and self-insurance. Restricted fund balance totals \$21 million and is included in the General Fund, Debt Service Fund, and Non-Major Funds. Committed fund balance is \$12.9 million and consists of amounts held in campus activity funds and construction funds. Non-spendable fund balance is \$2.8 million.
- 2019-20 property values increased by 38% from prior year, resulting in the following for the General Fund:
 - Local property tax revenue of \$338 million increased by \$76 million, or 29%, from prior year
 - Recapture expense of \$139 million increased by \$74 million, or 114%, from prior year
 - State revenue of \$79 million increased by \$51 million, or 184%, from prior year, which was primarily due to transition funds totaling \$56 million. As mentioned, transition funds are only available for five years, ending in 2024-25 school year.

- SB1882 is a piece of new Texas Education legislation that incentivizes public school districts to partner with external charter, higher education, or non-profit partners to operate an internal charter school. The District was approved by TEA for the following partnerships:
 - Young Women's Preparatory Network – operating Young Women's Leadership Academy
 - REACH Network – operating Goddard Junior High School and Ralph Bunche Elementary School
 - Educate Midland – operating Ben Milam International Academy
 - The Carver Center – operating Carver Center
 - Midland Community College District – operating Midland College PreK Charter
- The General Fund had \$425 million in revenues, which primarily consisted of local property taxes and state aid. Expenditures of \$355 million, including \$139 million in recapture, resulted in an increase in fund balance by \$57 million for the year ended June 30, 2020.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information.

The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the government, reporting the District's operations in more detail than the government-wide statements.
 - The *governmental funds* statements tell how general government services were financed in the short term as well as what remains for future spending.
 - *Proprietary fund* statements offer short- and long-term financial information about the activities the government operates like businesses.
 - *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

Major features of the District's [government-wide](#) and [fund financial statements](#) are summarized below:

Type of Statement	Government-Wide	Fund Financials		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire District's government (except fiduciary funds)	The activities of the District that are not propriety or fiduciary	Activities the District operates similar to private business-health insurance and worker's compensation	Instances in which the District is the trustee or agent for someone else's resources
<i>Required Financial Statements</i>	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenditures, and changes in fund balance 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of change in net position
<i>Accounting Basis and Measurement Focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of Asset/Liability Information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
<i>Type of Inflow/Outflow Information</i>	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after year-end, expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenue and expenses during the year, regardless of when cash is received or paid.	Agency funds do not report revenue and expenditures.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Government-Wide Financial Statements

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

The Statement of Net Position. The Statement of Net Position (Exhibit A-1) focuses on resources available for future operations. In simple terms, this statement presents a snapshot view of what the District owns (assets), what it owes (liabilities), and the net difference (net position). Net position may be further separated into amounts restricted for specific purposes and unrestricted amounts. Over time, increases or decreases in the District's net position may serve as a useful indicator of whether the financial health is improving or deteriorating.

The Statement of Activities. The Statement of Activities (Exhibit B-1) presents information showing how the net position of the District changed over the year by tracking revenues, expenses and other transactions that increase or reduce net position. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing for when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

To assess the overall health of the District, additional nonfinancial factors should be considered, such as changes in the District's property tax base, student enrollment, and facility conditions.

The government-wide financial statements of the District are divided into two categories:

- **Governmental activities**—Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services, and general administration. Property taxes and grants finance most of these activities.
- **Component units**—The District includes another entity in its report. Although legally separate, "component units" are important because the District is financially accountable for them. Midland Education Foundation, Inc., a nonprofit organization that provides support to the District, teachers, and students, is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds, rather than the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Some funds are required by State law and by bond covenants, while many other funds are established by the District to help manage resources for particular purposes and compliance with various grant provisions. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out of those funds and (2) the balances left at year-end that are available for spending in future periods. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's educational programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement that explain the relationship (or differences) between them.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Debt Service Fund, both of which are considered major funds. Data from the other governmental funds, including the National School Breakfast and Lunch Program, and a Local Capital Outlay Fund, are combined into a single aggregated presentation as nonmajor funds.

Proprietary Funds. Services for which the District charges users (other units of the District) a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information. The District uses internal service funds to report activities that provide supplies and services for the District's Print Shop, Self-insurance program, Employee Housing, and Employee Childcare.

Fiduciary Funds. The District is the trustee, or fiduciary, for certain funds. It is also responsible for other assets that, because of a trust arrangement, may be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. Fiduciary funds are excluded from the District's government-wide financial statements because these resources are not available to finance District operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents other supplementary information, including schedules required by the Texas Education Agency.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District's combined net position increased \$84 million from the previous year as can be seen on the following table.

Midland Independent School District's Net Position

	Governmental Activities					
	2020		2019		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Current and other assets	\$ 366,869,717	54	\$ 183,625,409	38	\$ 183,244,308	100
Capital assets, net of accumulated depreciation	313,148,754	46	301,368,121	62	11,780,633	4
Total assets	680,018,471	100	484,993,530	100	195,024,941	40
Total deferred outflows of resources	41,520,740	100	48,051,792	100	(6,531,052)	(14)
Other liabilities	189,794,810	37	47,349,794	11	142,445,016	301
Long-term liabilities outstanding	325,624,848	63	385,863,654	89	(60,238,806)	(16)
Total liabilities	515,419,658	100	433,213,448	100	82,206,210	19
Total deferred inflows of resources	60,798,654	100	38,693,743	100	22,104,911	57
Net position:						
Net investment in capital assets	113,812,106	78	82,482,099	135	31,330,007	38
Restricted	14,832,124	10	13,226,650	22	1,605,474	12
Unrestricted	16,676,669	11	(34,570,618)	(57)	51,247,287	148
Total net position	145,320,899	100	61,138,131	100	84,182,768	138

The District's capital assets, which consist of the District's land, buildings, building improvements, vehicles, and equipment, represent about 46 percent of total assets. The remaining assets consist mainly of investments, cash, grants, property taxes receivable, state revenue receivable, and prepaid assets.

The District's long-term liabilities include repayment of general obligation bonds and net pension and OPEB liability. Other liabilities consist almost entirely of recapture and payables on accounts and salaries and benefits.

The District's net position includes its investment in capital assets (e.g., land, buildings, and equipment) less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources (generally property taxes), since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the district's ongoing obligations to students, employees, and creditors.

The change in net position is attributed to the following:

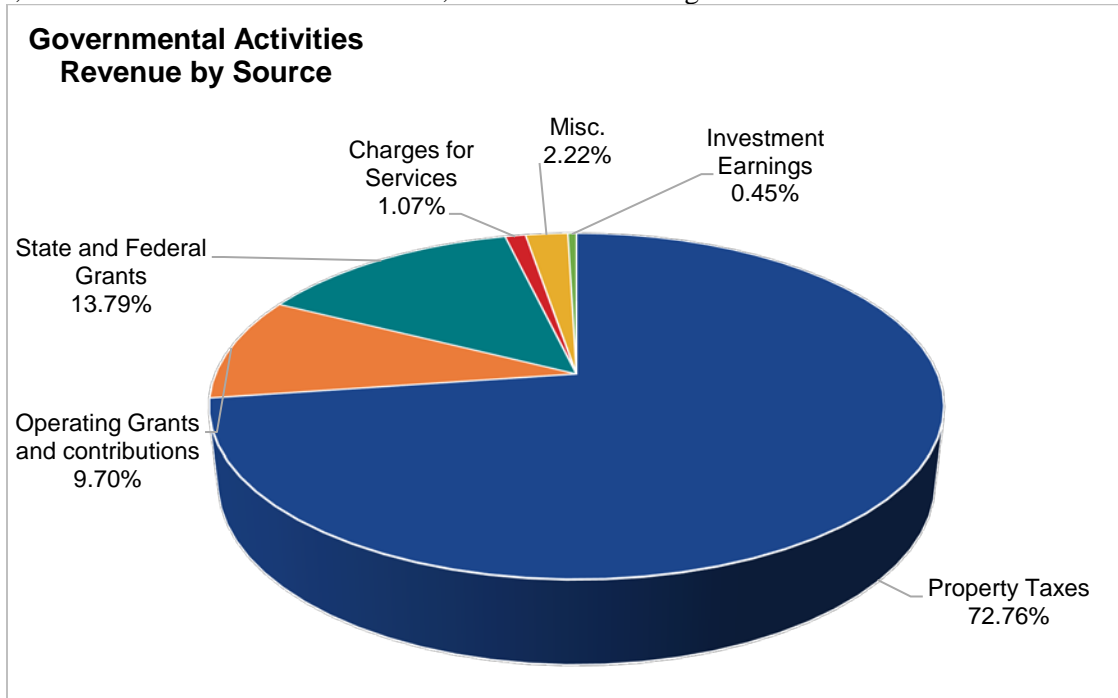
- The rise of property values resulted in a 38% increase in the property tax base which resulted in an increase in current assets related to property taxes receivable from the levy and also transition funds receivable from the State. In addition, current liabilities related to Chapter 49 recapture payable to the State also increased.
- As allowed by HB3, the District elected to make one recapture payment in August, after the end of the fiscal year, as opposed to monthly payments starting in February. As a result, investments had a higher ending balance than prior year.
- Significant capital asset acquisitions were conducted during the fiscal year, which have added \$12 million of capital net asset value.

Governmental Activities

Funding for government-wide activities is by the specific program revenue or through general revenues such as property taxes and investment earnings. Revenues for the District's governmental activities increased \$151 million while total expenses increased by \$105 million which resulted in a net increase of net position of \$84 million.

Revenues

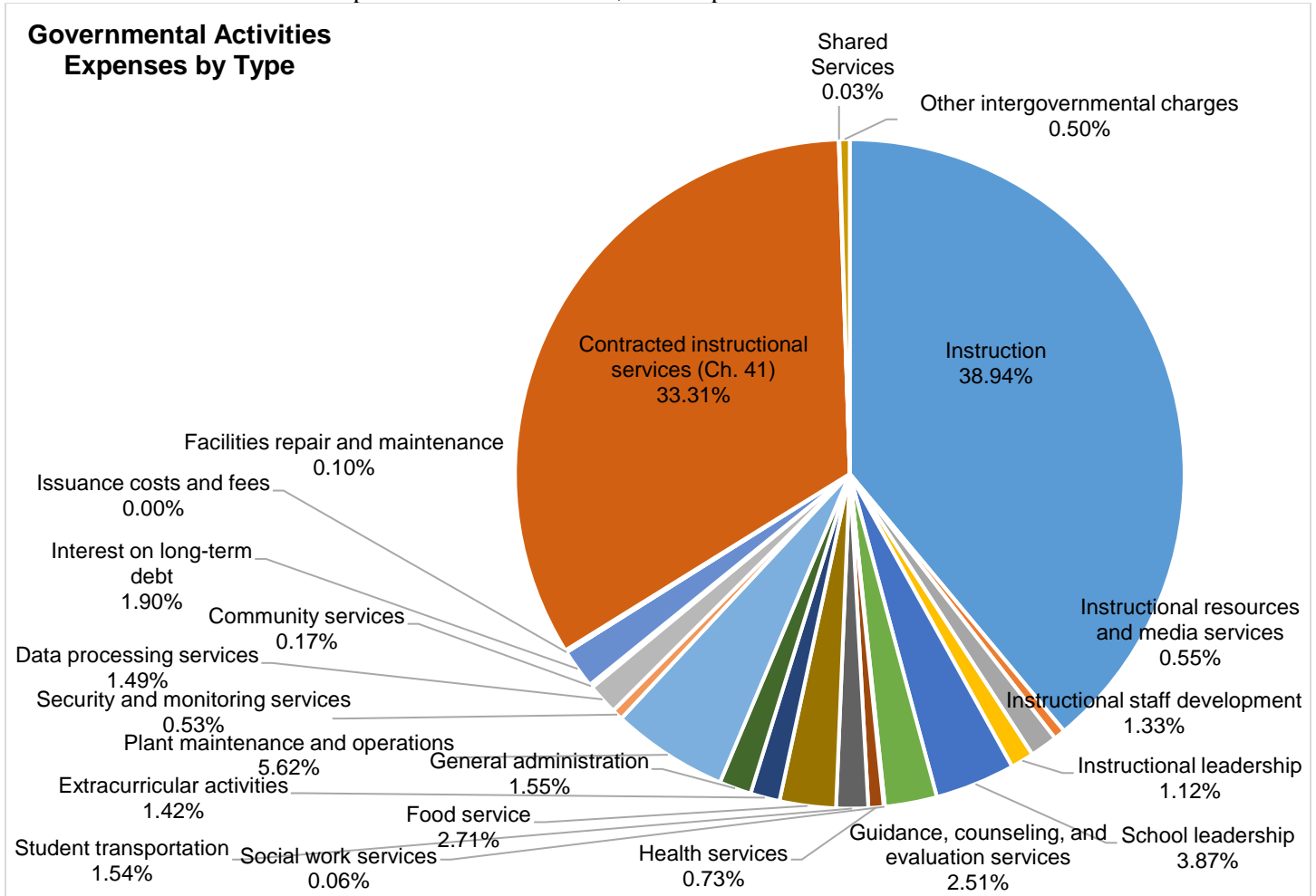
The District's total revenues were \$501 million, representing an increase of \$151 million from the previous year. The majority of this increase is due to a 38% increase in the District's assessed valuations which resulted in increases in property tax revenue and state transition funds. As seen below, approximately 72% of the District's revenue comes from local property taxes, 13% from state and federal sources, and 9% from other grants and contributions.



Expenses

The District's total expenses were \$417 million, representing an increase of \$105 million from the previous year. The majority of this increase is due to rising property values and its effect on the District's recapture payment - an increase of \$74 million, or 114%, from prior year. The District's primary functional expenses are

- Instruction - \$162 million, or 39 percent of total expenses
- Recapture ("Contracted instructional service") - \$139 million, or 33 percent
- Plant maintenance and operations - \$23.4 million, or 5.62 percent



Midland Independent School District
Management's Discussion and Analysis
Year Ended June 30, 2020

In total, governmental activities increased the District's net position by \$84 million dollars. Key elements of this change are as follows:

Midland Independent School District's Net Position

	Governmental Activities					
	2020		2019		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Revenue:						
Program revenues:						
Charges for services	\$ 5,389,316	1	\$ 8,728,914	2	\$ (3,339,598)	(38)
Operating grants and contributions	46,458,187	9	37,205,800	11	9,252,387	25
Capital grants and contributions	2,219,560	-	231,269	-	1,988,291	-
General revenues:						
Property taxes, levied for general purpose	337,225,720	67	261,042,434	75	76,183,286	29
Property taxes, levied for debt service	27,803,971	6	20,086,115	6	7,717,856	38
State Aid - Formula Grants	68,010,443	14	18,416,261	5	49,594,182	269
Grants and contributions not restricted to specific programs	1,159,220	-	795,233	-	363,987	46
Investment earnings	2,277,130	-	2,919,486	-	(642,356)	(22)
Miscellaneous	11,146,946	2	902,609	-	10,244,337	1135
Total revenues	501,690,493	100	350,328,121	100	151,362,372	43
Expenses:						
Instruction	162,597,018	39	142,365,350	46	20,231,668	14
Instructional resources and media services	2,305,866	1	2,282,284	1	23,582	1
Curriculum and instructional staff development	5,536,355	1	4,969,528	2	566,827	11
Instructional leadership	4,681,789	1	4,696,852	2	(15,063)	-
School leadership	16,138,210	4	14,252,358	5	1,885,852	13
Guidance, counseling, and evaluation services	10,499,148	3	9,453,288	3	1,045,860	11
Social work services	245,761	-	223,832	-	21,929	10
Health services	3,059,613	1	2,399,318	-	660,295	-
Student transportation	6,431,096	2	7,114,644	2	(683,548)	(10)
Food service	11,335,282	3	12,192,613	4	(857,331)	(7)
Extracurricular activities	5,923,508	1	4,902,670	2	1,020,838	21
General administration	6,463,183	2	5,873,147	2	590,036	10
Plant maintenance and operations	23,452,336	6	19,447,948	6	4,004,388	21
Security and monitoring services	2,232,659	1	1,921,626	-	311,033	16
Data processing services	6,225,613	1	4,305,380	1	1,920,233	45
Community services	704,573	-	664,084	-	40,489	6
Interest on long-term debt	7,950,025	2	7,993,936	3	(43,911)	(1)
Issuance costs and fees	20,595	0	36,438	-	(15,843)	(43)
Facilities repair and maintenance	418,540	0	68,114	-	350,426	514
Contracted instructional services						
between schools	139,079,427	33	65,012,042	21	74,067,385	114
Payments related to shared services arrangement	135,390	-	109,431	-	25,959	24
Payments to juvenile justice alternative education programs	-	-	-	-	-	-
Other intergovernmental charges	2,071,738	-	1,812,552	1	259,186	14
Total expenses	417,507,725	100	312,097,435	100	105,410,290	34
Increase in net position before transfers	84,182,768		38,230,686		45,952,082	
Transfers	-		-		-	
Change in net position	84,182,768		38,230,686		45,952,082	
Net position - beginning	61,138,131		22,907,445		38,230,686	
Net position - ending	\$ 145,320,899		\$ 61,138,131		\$ 84,182,768	

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

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

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balance of \$190 million, an increase of \$59 million in comparison with the prior year. Approximately 58 percent of this total amount (\$109 million) constitutes unassigned fund balance, which is available for spending at the District's discretion. The remainder of fund balance is non-spendable, restricted, or assigned to indicate that it is not available for new spending because it has already been 1) used to purchase inventories and food services (\$1.2 million), 2) to purchase services for the next fiscal period (\$1.5 million), 3) restricted to pay debt service (\$13.7 million), 4) restricted by cooperative partnership agreements (\$4 million), or 5) assigned for future capital projects (\$30 million), future technology projects and replacements (\$10 million), and self-insurance (\$3 million). Assignments reflect the District's self-imposed limitation on the use of otherwise available expendable financial resources in governmental funds. The District's committed fund balance consists of campus activity funds (\$1 million) and local capital construction funds (\$11.9 million).

General Fund. The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$109 million, while total fund balance reached \$158 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 31 percent of total General Fund expenditures, while total fund balance represents 45 percent of that same amount.

The fund balance of the District's General Fund increased by \$56 million during the current fiscal year. Key factors in this growth are as follows:

- Revenues totaled \$425 million which is a 42 percent increase from previous year. A 38 percent increase in property values increased property tax revenues by \$76 million, or 29 percent, and increased state funds by \$51 million, or 184%, primarily in transition funds.
- Expenditures totaled \$355 million which is a 36 percent increase from previous year. This includes \$74 million, or 114 percent, increase in the District's recapture expenditure.

Debt Service Fund. The Debt Service Fund has a total fund balance of \$13 million, all of which is restricted for the payment of debt service. The net increase in fund balance was \$750,774. Revenues totaled \$28 million which is a 37 percent increase from previous year. A 38 percent increase in property values increased property tax revenues by \$7 million, or 8 percent. Expenditures totaled \$27 million, which is a 64 percent, or \$10.7 million, increase from previous year. The increase was from a redemption of bond principal paid in advance.

Local Capital Projects Fund. The local capital projects fund has a total fund balance of \$11,919,343, all of which is committed for capital acquisition and improvements.

Budgetary Highlights

The District adopts an annual appropriated budget for the General Fund, the National School Breakfast and Lunch Program, and the Debt Service Fund. A budgetary comparison statement has been provided for these funds to demonstrate compliance with statutory requirements.

General Fund. The most significant fund for the District is the General Fund, funded primarily through local property tax revenue. The District's budget amendments presented to the Board of Trustees throughout the year are summarized as follows:

- ***Variances of original expenditure budget compared to amended budget.***
The amended expenditure budget increased \$5.8 million from the original budget. The original budget was adopted prior to guidance released on the effects of HB3 and certified property values. The final amendment was based on the knowledge of the fiscal year.

- ***Variances of amended budget to actual expenditures.***
Expenditures were \$39 million less than final budgeted amounts. This was primarily due to vacancies not being fulfilled and the impact of the COVID-19 pandemic on the supply chain network and delayed projects in the spring of 2020. In addition, the final amendment was determined prior to the State's supplementation of CARES Act funding through a reduction of Average Daily Attendance (ADA). As a result, recapture increased by \$3 million and exceeded the final budget by \$1.7 million.

- ***Variances of original revenue budget compared to actual revenue***
Revenues exceeded the original budget by \$36 million. At the time of budget adoption in June, HB3 was newly signed with its effects on state funding and local property taxes generally unknown. In addition, the local revenue budget was based on estimated property values at the time.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2020, the District had invested \$313 million in a broad range of capital assets, including land, buildings, and equipment. This amount represents a net increase of \$11 million, or 4 percent over last year. Major capital asset events conducted during the fiscal year included acquisition of land, purchase of fifteen additional school busses, purchase of seven vehicles, purchase of capital equipment, and building improvements. Additional information on the District's capital assets can be found in Note 8 of this report.

Midland Independent School District's Capital Assets
(net of depreciation)

	Governmental Activities					
	2020		2019		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Land and improvements	\$ 19,361,548	6	\$ 9,411,119	3	\$ 9,950,429	106
Buildings and improvements	282,598,281	90	283,402,339	94	(804,058)	0
Furniture and equipment	8,273,964	3	5,530,787	2	2,743,177	50
Construction in progress	2,914,961	1	3,023,876	1	(108,915)	(4)
Totals	\$ 313,148,754	100	\$ 301,368,121	100	\$ 11,780,633	4

Long-Term Debt

At the end of 2020, the District had \$344 million in long-term liabilities which include general obligation bonds, net pension liability, and net OPEB liability. The District's long-term liabilities decreased by \$41 million. Additional information on the District's long-term debt can be found in Note 9 of this report.

	Governmental Activities					
	2020		2019		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
General obligation bonds (net)	200,220,830	58	220,904,958	58	(20,684,128)	(9)
Accretion on CAB, Series 2017	846,293	-	507,776	-	338,517	67
Net pension liability	63,972,376	19	74,470,954	19	(10,498,578)	(14)
Net OPEB liability	79,205,183	23	89,979,966	23	(10,774,783)	(12)
Totals	\$ 344,244,682	100	\$ 385,863,654	101	\$ (41,618,972)	

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The local economy relies heavily on the oil and gas industry which is expected to see a shrinkage in the next fiscal year. The 2020-21 appraised property values, based on January 1, 2020, saw a 3% increase from the prior year. However, based on the effects of the COVID-19 pandemic at the state and local levels, property tax revenues are budgeted at a decreased collection rate of 95%, as opposed to the historic rate of 98.5%, and an estimated 1% student enrollment decrease.

The Maintenance and Operations (M&O) tax rate decreased to \$0.9564 per \$100 valuation for the 2020-21 year. The Interest and Sinking (I&S) tax rate decreased to \$0.07 per \$100 valuation for the 2020-21 year. General Fund property tax revenues are budgeted to decrease by \$29 million. However, the state funding formulas in HB3 currently provides the hold harmless transition funds and therefore, state revenues are budgeted to increase by \$6 million.

General Fund expenditures are budgeted to increase by \$41 million over the prior year final expenditures. Major expenditure changes include increased minimum teacher pay to \$56,500, a salary increase of 3 percent to administrative and support staff, and an increase to the minimum support staff pay to \$12 per hour.

In the past, the oil and gas industry has experienced booms and busts. The International Energy Agency stated that the investment in oil and gas supply has fallen by one-third compared with 2019, and the extent and timing of any pick-up in spending is unclear. The District has maintained a healthy fund balance which is budgeted to remain at the same level for next year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the District's Financial Services Department at 615 West Missouri Avenue, Midland, TX 79701.

Data Control Codes	1 Primary Governmental Activities	Component Unit Midland I.S.D. Education Foundation	
Assets			
1110	Cash and cash equivalents	\$ 22,898,765	\$ 2,372,710
1120	Investments - current	263,434,816	671,386
1220	Property taxes receivable (delinquent)	11,135,621	-
1230	Allowance for uncollectible taxes	(4,865,045)	-
1240	Due from other governments	70,945,625	-
1290	Other receivables	212,007	-
1300	Inventories at cost	1,298,273	-
1410	Prepayments	543,842	-
1490	Other current assets	1,264,813	-
1990	Other assets	1,000	-
Capital assets			
1510	Land	19,361,548	-
1520	Buildings, net	282,598,281	-
1530	Furniture and equipment, net	8,273,964	-
1580	Construction in progress	2,914,961	-
1000	Total assets	680,018,471	3,044,096
Deferred outflows of resources			
1705	Deferred outflows - pension	28,810,449	-
1706	Deferred outflows - OPEB	9,842,017	-
1710	Deferred charge on refunding	2,868,274	-
1700	Total deferred outflows of resources	41,520,740	-
Liabilities			
2110	Accounts payable	4,569,723	-
2140	Interest payable	3,011,326	-
2150	Payroll deductions and withholdings	3,413,425	-
2160	Accrued wages payable	12,329,483	-
2177	Due to private purpose trust fund	954	-
2180	Due to other governments	139,236,997	-
2200	Accrued liabilities	2,929,206	-
2300	Unearned revenue	5,683,862	-
Noncurrent liabilities			
2501	Due within one year	8,245,000	-
2502	Due in more than one year	174,202,289	-
2516	Premium on issuance of bonds	18,619,834	-
2540	Net pension liabilities	63,972,376	-
2545	Net OPEB liabilities	79,205,183	-
2000	Total liabilities	515,419,658	-

See Notes to Financial Statements

Midland Independent School District
Statement of Net Position (Exhibit A-1)
June 30, 2020

<u>Data Control Codes</u>	<u>1 Primary Government Governmental Activities</u>	<u>Component Unit Midland I.S.D. Education Foundation</u>
Deferred Inflows of Resources		
2605	Deferred inflows - pension	17,506,241
2606	Deferred inflows - OPEB	41,308,321
2610	Deferred gain on refunding	1,984,092
2600	Total deferred inflows of resources	60,798,654
Net Position		
3200	Net investment in capital assets	113,812,106
3820	Restricted for grants	3,752,918
3850	Restricted for debt service	11,079,206
3890	Restricted for other purposes	-
3900	Unrestricted	3,044,096
3000	Total net position	16,676,669
	<u>\$ 145,320,899</u>	<u>\$ 3,044,096</u>

Data Control Codes	Functions/Programs	Expenses
	Primary government	
	Governmental activities	
11	Instruction	\$ 162,597,018
12	Instructional resources and media services	2,305,866
13	Curriculum and instructional staff development	5,536,355
21	Instructional leadership	4,681,789
23	School leadership	16,138,210
31	Guidance, counseling, and evaluation services	10,499,148
32	Social work services	245,761
33	Health services	3,059,613
34	Student transportation	6,431,096
35	Food service	11,335,282
36	Extracurricular activities	5,923,508
41	General administration	6,463,183
51	Plant maintenance and operations	23,452,336
52	Security and monitoring services	2,232,659
53	Data processing services	6,225,613
61	Community services	704,573
72	Interest on long-term debt	7,950,025
73	Issuance costs and fees	20,595
81	Facilities repair and maintenance	418,540
91	Contracted instructional services between schools	139,079,427
93	Payments related to shared services arrangement	135,390
99	Other intergovernmental charges	2,071,738
TG	Total governmental activities	<u>417,507,725</u>
TP	Total primary government	<u>\$ 417,507,725</u>
IC	Component unit	<u>\$ 2,007,455</u>

Midland Independent School District
Statement of Activities (Exhibit B-1)
Year Ended June 30, 2020

3	4	5	Net (Expense) Revenue and Changes in Net Position	Component Unit
Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Midland I.S.D. Education Foundation
\$ 2,236,890	\$ 24,613,079	\$ -	\$ (135,747,049)	
-	225,421	-	(2,080,445)	
-	2,550,127	-	(2,986,228)	
-	744,219	-	(3,937,570)	
-	2,419,109	-	(13,719,101)	
-	2,370,120	-	(8,129,028)	
-	23,393	-	(222,368)	
-	351,272	-	(2,708,341)	
-	478,845	-	(5,952,251)	
2,141,840	8,450,213	854,006	110,777	
835,376	408,373	-	(4,679,759)	
9,004	842,794	-	(5,611,385)	
166,206	1,585,065	-	(21,701,065)	
-	241,500	-	(1,991,159)	
-	608,203	1,365,554	(4,251,856)	
-	257,763	-	(446,810)	
-	153,301	-	(7,796,724)	
-	-	-	(20,595)	
-	-	-	(418,540)	
-	-	-	(139,079,427)	
-	135,390	-	-	
-	-	-	(2,071,738)	
<u>5,389,316</u>	<u>46,458,187</u>	<u>2,219,560</u>	<u>(363,440,662)</u>	
<u>\$ 5,389,316</u>	<u>\$ 46,458,187</u>	<u>\$ 2,219,560</u>	<u>\$ (363,440,662)</u>	
<u>\$ -</u>	<u>1,410,569</u>	<u>\$ -</u>		\$ (596,886)
General revenues:				
Taxes:				
MT	Property taxes, levied for general purposes		337,225,720	-
DT	Property taxes, levied for debt services		27,803,971	-
SF	State aid - Formula grants		68,010,443	-
GC	Grants and contributions not restricted to specific programs		1,159,220	-
IE	Investment earnings		2,277,130	6,349
MI	Miscellaneous		11,146,946	-
TR	Total general revenues		<u>447,623,430</u>	<u>6,349</u>
CN	Change in net position		84,182,768	(590,537)
NB	Net position - beginning		61,138,131	3,634,633
NE	Net position - ending		<u>\$ 145,320,899</u>	<u>\$ 3,044,096</u>

Data Control Codes		199	599
		General Fund	Debt Service Fund
	Assets		
1110	Cash and cash equivalents	\$ 13,670,422	\$ 54,580
1120	Current investments	227,244,794	13,547,358
1220	Property taxes - delinquent	10,284,443	851,178
1230	Allowance for uncollectable taxes	(4,492,633)	(372,412)
1240	Due from other governments	63,341,141	75,384
1260	Due from other funds	7,029,188	-
1290	Other receivables	104,524	-
1300	Inventories	454,800	-
1410	Prepayments	274,065	-
1490	Other current assets	1,264,813	-
1990	Other assets	1,000	-
1000	Total assets	<u>319,176,557</u>	<u>14,156,088</u>
1000a	Total assets and deferred outflows of resources	<u>\$ 319,176,557</u>	<u>\$ 14,156,088</u>
	Liabilities		
2110	Accounts payable	\$ 2,505,977	\$ -
2150	Payroll deductions and withholdings	3,150,887	-
2160	Accrued wages payable	11,937,851	-
2170	Due to other funds	217,081	-
2180	Due to other governments	139,151,157	65,556
2300	Unearned revenue	219,700	-
2000	Total liabilities	<u>157,182,653</u>	<u>65,556</u>
	Deferred inflows of resources		
2600	Unavailable revenue - property taxes	<u>3,131,420</u>	<u>298,801</u>
	Total deferred inflows of resources	<u>3,131,420</u>	<u>298,801</u>
	Fund balances		
3410	Nonspendable - inventories	454,800	-
3430	Nonspendable - prepaid items	1,539,878	-
3450	Restricted - grants	-	-
3480	Restricted - debt service	-	13,791,731
3490	Restricted - other	4,003,902	-
3510	Committed - construction	-	-
3545	Committed - other	-	-
3550	Assigned - construction	30,000,000	-
3570	Assigned - capital expenditure for equipment	10,000,000	-
3580	Assigned - self-insurance	3,000,000	-
3600	Unassigned	109,863,904	-
3000	Total fund balances	<u>158,862,484</u>	<u>13,791,731</u>
4000	Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 319,176,557</u>	<u>\$ 14,156,088</u>

See Notes to Financial Statements

Midland Independent School District
 Balance Sheet – Governmental Funds (Exhibit C-1)
 June 30, 2020

Total Nonmajor Funds	98 Total Governmental Funds
\$ 5,951,899	\$ 19,676,901
17,822,368	258,614,520
-	11,135,621
-	(4,865,045)
7,529,100	70,945,625
322,361	7,351,549
29,338	133,862
843,473	1,298,273
-	274,065
-	1,264,813
-	1,000
32,498,539	365,831,184
\$ 32,498,539	\$ 365,831,184
\$ 1,882,868	\$ 4,388,845
251,179	3,402,066
361,277	12,299,128
7,111,491	7,328,572
-	139,216,713
5,335,779	5,555,479
14,942,594	172,190,803
-	3,430,221
-	3,430,221
843,473	1,298,273
-	1,539,878
3,752,918	3,752,918
-	13,791,731
-	4,003,902
11,914,642	11,914,642
1,044,912	1,044,912
-	30,000,000
-	10,000,000
-	3,000,000
-	109,863,904
17,555,945	190,210,160
\$ 32,498,539	\$ 365,831,184

Midland Independent School District

Reconciliation to the Governmental Funds Balance Sheet to the Statement of Net Position (Exhibit C-1r) June 30, 2020

Total Fund Balances - Governmental Funds (Exhibit C-1)		\$ 190,210,160
The District uses internal service funds to charge the costs of certain activities, such as self-insurance and employee housing to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.		9,451,559
Capital assets, net of accumulated depreciation, less assets held in internal service funds are not financial resources and therefore are not reported as assets in governmental funds.		308,762,881
Some liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	(181,600,996)	
Deferred charge on refunding	2,868,274	
Deferred gain on refunding	(1,984,092)	
Unamortized premiums on bonds payable	(18,619,834)	
Accumulated accretion on capital appreciation bonds	<u>(846,293)</u>	(200,182,941)
Accrued interest is not due and payable in the current period and therefore is not reported as a liability in the governmental funds.		(3,011,326)
Certain assets are not available to pay for current period expenditures and therefore are deferred in the funds. These are:		
Deferred resource inflow for property taxes		3,430,221
The government-wide statements includes the District's proportionate share of the TRS net pension liabilities and TRS-Care net OPEB liabilities, as well as certain pension and OPEB related transactions accounted for as deferred inflows and outflows of resources:		
Net pension liability	(63,972,376)	
Deferred outflows of resources - TRS pension	28,810,449	
Deferred inflows of resources - TRS pension	(17,506,241)	
Net OPEB liability	(79,205,183)	
Deferred outflows of resources - TRS-Care OPEB	9,842,017	
Deferred inflows of resources - TRS-Care OPEB	<u>(41,308,321)</u>	<u>(163,339,655)</u>
Total Net Position - Governmental Activities (Exhibit A-1)		<u>\$ 145,320,899</u>

Data Control Codes		General Fund
	Revenues	
5700	Local and intermediate revenues	\$ 344,044,030
5800	State program revenues	79,062,327
5900	Federal program revenues	2,483,068
5020	Total revenues	<u>425,589,425</u>
	Expenditures	
	Current	
0011	Instruction	129,659,556
0012	Instructional resources and media services	2,121,729
0013	Curriculum and instructional staff development	3,073,203
0021	Instructional leadership	3,766,660
0023	School leadership	14,040,453
0031	Guidance, counseling, and evaluation services	8,077,172
0032	Social work services	227,058
0033	Health services	2,794,713
0034	Student transportation	7,795,044
0035	Food service	142,332
0036	Extracurricular activities	5,447,249
0041	General administration	5,727,507
0051	Plant maintenance and operations	22,076,431
0052	Security and monitoring services	1,857,848
0053	Data processing services	5,723,245
0061	Community services	369,567
	Debt service	
0071	Principal on long-term debt	-
0072	Interest on long-term debt	-
0073	Issuance costs and fees	-
	Capital outlay	
0081	Facilities acquisition and construction	1,684,384
	Intergovernmental	
0091	Contracted instructional services between schools	139,079,427
0093	Payments related to shared service arrangements	-
0099	Other intergovernmental charges	2,071,738
6030	Total expenditures	<u>355,735,316</u>
1100	Excess (deficiency) of revenues over (under) expenditures	<u>69,854,109</u>
	Other financing sources (uses)	
7912	Sale of real and personal property	10,444
7915	Transfers in	51,320
8911	Transfers out	(12,252,167)
7080	Total other financing sources (uses)	<u>(12,190,403)</u>
1200	Net change in fund balances	57,663,706
0100	Fund balances, beginning	101,198,778
3000	Fund balances, ending	<u>\$ 158,862,484</u>

See Notes to Financial Statements

Midland Independent School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds (Exhibit C-2)
Year Ended June 30, 2020

599 Debt Service Fund	Total Nonmajor Funds	98 Total Governmental Funds
\$ 28,073,968	\$ 11,627,246	\$ 383,745,244
153,301	5,643,839	84,859,467
-	20,876,569	23,359,637
<u>28,227,269</u>	<u>38,147,654</u>	<u>491,964,348</u>
-	12,354,989	142,014,545
-	27,549	2,149,278
-	2,228,928	5,302,131
-	640,700	4,407,360
-	887,393	14,927,846
-	1,575,333	9,652,505
-	-	227,058
-	33,125	2,827,838
-	-	7,795,044
-	10,791,598	10,933,930
-	122,864	5,570,113
-	299,842	6,027,349
-	658,761	22,735,192
-	299,802	2,157,650
-	159,185	5,882,430
-	262,234	631,801
18,590,000	-	18,590,000
8,865,900	-	8,865,900
20,595	-	20,595
-	14,657,530	16,341,914
-	-	139,079,427
-	135,390	135,390
-	-	2,071,738
<u>27,476,495</u>	<u>45,135,223</u>	<u>428,347,034</u>
<u>750,774</u>	<u>(6,987,569)</u>	<u>63,617,314</u>
-	-	10,444
-	8,604,461	8,655,781
-	(53,614)	(12,305,781)
-	8,550,847	(3,639,556)
750,774	1,563,278	59,977,758
13,040,957	15,992,667	130,232,402
<u>\$ 13,791,731</u>	<u>\$ 17,555,945</u>	<u>\$ 190,210,160</u>

Midland Independent School District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
 Funds to the Statement of Activities (Exhibit C-2r)
 Year Ended June 30, 2020

Total Net Changes in Fund Balances - Governmental Funds (Exhibit C-2)	\$ 59,977,758
The District uses internal service funds to charge the costs of certain activities, such as self-insurance and employee housing, to appropriate functions to other funds. The change in net position of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net position.	1,915,348
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. Net increase in accreted interest on capital appreciation bonds of \$338,517 decreases net position. The net effect of including the 2020 capital outlays of \$19,602,135, removing the remaining net book value of \$69,148, debt principal payments of \$18,590,000, and amortization of deferred charges/gains on refunding of \$1,134,754 is to increase net position.	36,649,716
2020 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation, less depreciation recorded in internal service funds, is to decrease net position.	(11,504,034)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred tax revenue of \$3,430,221 as revenue and removing the prior year's tax collection of \$2,447,539.	982,682
Interest payable on long-term debt is accrued in the government-wide financial statements, whereas in the fund financial statements, interest expense is reported when due. The current year change in the accrual is a decrease of \$295,018. The net effect is to increase net position.	295,018
Bond premiums are recorded as other financing sources when received in the fund financial statements but are capitalized and amortized in the government-wide financial statements. This is the current year amortization.	2,094,128
Changes in the deferred outflows of resources, deferred inflows of resources and net pension liability must be recorded as expenses. Changes in contributions made after the measurement date caused the change in net position to increase in the amount of \$1,075,118. The District's share of the unrecognized deferred inflows and outflows for TRS as of the measurement date must be amortized and the District's proportionate share of the pension expense must be recognized. These cause the change in net position to decrease in the amount of \$7,283,296. The net effect is a decrease in net position.	(6,208,178)
Changes in the deferred outflows of resources, deferred inflows of resources and net OPEB liability must be recorded as expenses. Changes in contributions made after the measurement date caused the change in net position to increase in the amount of \$126,806. The District's share of the unrecognized deferred inflows and outflows for TRS as of the measurement date must be amortized and the District's proportionate share of the OPEB expense must be recognized. These cause the change in net position to decrease in the amount of \$146,476. The net effect is an decrease in net position.	(19,670)
Change in Net Position for Governmental Activities (Exhibit B-1)	\$ 84,182,768

Midland Independent School District
Statement of Net Position – Proprietary Funds (Exhibit D-1)
June 30, 2020

<u>Data Control Codes</u>		<u>Governmental Activities Internal Service Funds</u>
	Assets	
	Current assets	
1110	Cash and cash equivalents	\$ 3,221,864
1120	Current investments	4,820,296
1260	Due from other funds	12,116
1290	Other receivables	78,145
1410	Prepaid items	<u>269,777</u>
	Total current assets	<u>8,402,198</u>
	Noncurrent assets	
1520	Buildings and improvements, net	<u>4,385,873</u>
	Total noncurrent assets	<u>4,385,873</u>
1000	Total assets	<u>12,788,071</u>
	Liabilities	
	Current liabilities	
2110	Accounts payable	180,878
2150	Payroll deductions and withholdings	11,359
2160	Accrued wages payable	30,355
2170	Due to other funds	36,047
2180	Due to other governments	20,284
2200	Accrued liabilities	2,929,206
2300	Unearned revenues	<u>128,383</u>
	Total current liabilities	<u>3,336,512</u>
2000	Total liabilities	<u>3,336,512</u>
	Net Position	
3200	Investment in capital assets	4,385,873
3900	Unrestricted	<u>5,065,686</u>
3000	Total net position	<u>\$ 9,451,559</u>

Midland Independent School District
Statement of Revenues, Expenditures, and Changes in Net Position– Proprietary Funds (Exhibit D-2)
Year Ended June 30, 2020

<u>Data Control Codes</u>	<u>Governmental Activities Internal Service Funds</u>
Operating revenues	
5700 Local and intermediate revenues	<u>\$ 21,035,763</u>
5020 Total revenues	<u>21,035,763</u>
Operating expenses	
6100 Payroll costs	627,209
6200 Professional and contracted services	1,381,734
6300 Supplies and materials	71,672
6400 Other operating costs	<u>20,780,759</u>
6030 Total expenses	<u>22,861,374</u>
Operating income	<u>(1,825,611)</u>
Non-operating revenues	
5800 State program revenues	32,149
7955 Earnings from temp. deposits and investments	<u>58,810</u>
8030 Total non-operating revenues	<u>90,959</u>
Other financing sources (uses)	
7915 Transfers in	<u>3,650,000</u>
7080 Total other financing sources (uses)	<u>3,650,000</u>
1300 Change in net position	1,915,348
0100 Net position, beginning	<u>7,536,211</u>
3300 Net position, ending	<u><u>\$ 9,451,559</u></u>

Midland Independent School District
Statement of Cash Flows– Proprietary Funds (Exhibit D-3)
Year Ended June 30, 2020

	Governmental Activities
	Internal Service Funds
Operating activities	
Cash received from quasi-external operating activities	\$ 21,087,283
Cash payments to suppliers for goods and benefits	(22,521,019)
Cash payments to employees	(585,495)
Net cash used for operating activities	(2,019,231)
Noncapital financing activities	
Transfers from other funds	3,675,687
State grants received	32,149
Net cash from noncapital financing activities	3,707,836
Capital and related financing activities	
Acquisition of capital assets	(3,858,170)
Net cash used for capital and related financing activities	(3,858,170)
Investing activities	
Interest and dividends received on investments	58,810
Sale of investments	2,449,003
Net cash from investing activities	2,507,813
Net change in cash and cash equivalents	338,248
Cash and cash equivalents, beginning of year	2,883,616
Cash and cash equivalents, end of the year	\$ 3,221,864
Reconciliation of operating loss to net cash used for operating activities	
Operating loss	\$ (1,825,611)
Depreciation	106,490
Change in assets and liabilities	
(Increase) decrease in other receivables	(76,863)
(Increase) decrease in prepaid items	(218,333)
Increase (decrease) in accounts payable	(339,211)
Increase in accrued wages payable	30,355
Increase in payroll deductions and withholdings	11,359
Increase (decrease) in due to other governments	20,284
Increase (decrease) in unearned revenue	128,383
Decrease in payable from restricted assets	143,916
Net cash used for operating activities	\$ (2,019,231)

Midland Independent School District
Statement of Fiduciary Net Position – Fiduciary Funds (Exhibit E-1)
June 30, 2020

Data Control Codes		801 Private Purpose Trust Fund	800 Employee Benefits Trust Fund	865 Agency Fund Student Activity
	Assets			
1110	Cash and cash equivalents	\$ -	\$ 429	\$ 498,064
1120	Current investments	281,541	-	-
1260	Due from other funds	954	-	-
1290	Other receivables	-	456,161	-
1000	Total assets	<u>282,495</u>	<u>456,590</u>	<u>498,064</u>
	Liabilities			
2110	Accounts payable	-	-	4,738
2400	Payable from restricted assets	98,926	-	-
2190	Due to student groups	-	-	493,326
2000	Total liabilities	<u>98,926</u>	<u>-</u>	<u>\$ 498,064</u>
	Net Position			
3800	Restricted	<u>183,569</u>	<u>456,590</u>	
	Total net position	<u>\$ 183,569</u>	<u>\$ 456,590</u>	

Midland Independent School District
Statement of Change in Net Position – Fiduciary Funds (Exhibit E-2)
Year Ended June 30, 2020

	<u>801 Private Purpose Trust Fund</u>	<u>800 Employee Benefits Trust Fund</u>
Additions		
Contributions		
Benefits	\$ -	\$ 70,104
Total contributions	<u>-</u>	<u>70,104</u>
Investment Earnings		
Earnings from temp. deposits and investments	12,506	42
Total investment earnings	<u>12,506</u>	<u>42</u>
Total additions	<u>12,506</u>	<u>70,146</u>
Deductions		
Scholarships awarded	41,591	-
Total deductions	<u>41,591</u>	<u>-</u>
Change in net position	(29,085)	70,146
Net position, beginning	<u>212,654</u>	<u>386,444</u>
Net position, ending	<u><u>\$ 183,569</u></u>	<u><u>\$ 456,590</u></u>

Note 1 - 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 Midland Independent School District (the District). The public elects the members of the Board of Trustees. 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 TEA or to the State Board of Education are reserved for the trustees, and the TEA 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 Midland I.S.D. Education Foundation is a component unit of the District. The Foundation's purpose is to support teachers and students of the District in the advancement of their educational careers and to provide grants for great ideas to develop creative learning in the classroom. It is discretely presented in a separate column on the government-wide financial statements (Exhibits A-1 and B-1) in order to emphasize that it is legally separate from the District.

The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities.

Note 2 - Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

Note 3 - Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements, as well as the proprietary and fiduciary fund financial statements, are reported using the *economic resources measurement focus* and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

The Proprietary Fund Types and Fiduciary Funds are accounted for using the *economic resources measurement focus and the accrual basis of accounting*. Revenues are recognized in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into net investment in capital assets, restricted net position, and unrestricted net position.

Property taxes and penalties and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the District receives cash.

The District reports the following major governmental funds:

The General Fund – is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

The Debt Service Fund – a governmental fund type, is used to account for the District's current portion of voter approved debt and the Foundation School Program's facilities allotment for bonded indebtedness.

Additionally, the District reports the following nonmajor fund types:

Special revenue funds - a governmental fund type, account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The District accounts for each federal and state grant in a separate special revenue fund.

Capital Projects Fund – a governmental fund type, is used to account for the proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions.

The *internal service funds*, a proprietary fund type. Revenues and expenses are related to services provided to organizations inside the District on a cost reimbursement basis. Internal service funds inherently create redundancy because their expenses are recorded a second time in the fund that are billed for the services they provide. Therefore, on the government-wide financial statements, the operations of the internal service funds are consolidated and interfund transactions are eliminated. The District has an internal service fund for health, dental and workers' compensation benefits, an internal service fund for employee housing, an internal service fund for the District's internal print shop and another internal service fund for childcare for employees.

The *fiduciary funds*, the District has the following:

Private purpose trust funds – Donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District's Private Purpose Trust Fund is the scholarship fund.

Employee benefit trust funds – These funds are used to account for other employee benefit funds that are provided by the District.

Agency funds – The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Fund is the student activity fund.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from *nonoperating items*. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the transportation internal service fund are District contributions for the transportation fund. Operating expenses include depreciation and other operating expense and administrative expense for administering the transportation fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Note 4 - Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity

Deposits and Investments

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

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans).

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental column in the government-wide financial statements and in the proprietary fund financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

Capital Asset Class	Lives
Buildings and improvements	40
Furniture and equipment	5-10

Inventory

The District reports inventories of supplies at weighted average cost including consumable maintenance, instructional, office, athletic, and transportation items. Supplies are recorded as expenditures when they are consumed. Inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and revenue when received. When requisitioned, inventory is decreased and expenditures are charged for an equal amount.

Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities.

Deferred Outflows/Inflows of Resources

Deferred outflows/inflows of resources are separate elements of the financial statements. The District has deferred inflows of resources, which arises under the modified accrual basis of accounting, unavailable revenue from property taxes, deferred gains on refunded debt, and for its proportionate share of TRS's deferred inflow related to pensions as described in Note 12 and its OPEB liability as described in Note 13. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District has deferred outflows of resources for deferred charges on refunded debt, its proportionate share of TRS's deferred outflow related to pensions as described in Note 12, and for its proportionate share of TRS-Care's deferred outflow related to OPEB as described in Note 13.

Pensions

The fiduciary net position of the Teacher Retirement System (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.

OPEB

The fiduciary net position of the 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 relating 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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Note 5 - Stewardship, Compliance and Accountability

Budgetary Information

Formal budgetary accounting is employed for all required Governmental Fund Types, as outlined in TEA's Financial Accounting Resource (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 19 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.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Debt Service Fund, and the Child Nutrition Program. The remaining special revenue funds adopt project-length budgets that do not correspond to the District's fiscal year.

Note 6 - Fair Value Measurements

GASB Statement No. 72, *Fair Value Measurement and Application* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into three-level fair value hierarchy as follows:

Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.

Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 inputs are observable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

Market approach – uses prices generated by market transactions involving identical or comparable assets or liabilities.

Cost approach – uses the amount that currently would be required to replace the service capacity of an asset (replacement cost).

Income approach – uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Note 7 - Detailed Notes on All Funds

Deposits and Investments

Under Texas state law, 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. The District's investment policies and types of investments are governed by the Public Funds Investment Act (PFIA). The District's management believes that they complied with all significant requirements of the PFIA and the District's investment policies.

Custodial Credit Risk-Deposits

At June 30, 2020, the District's deposits (cash, certificates of deposit and interest bearing savings accounts including temporary investments) were entirely covered by pledged collateral held by the District's agent bank in the District's name or by federal deposit insurance. At June 30, 2020, deposits of the Midland I.S.D. Education Foundation subject to credit risk were \$2,073,886.

Investments

State statutes and Board policy authorize the District to invest in 1) obligations of, or guaranteed by, governmental entities as permitted by Government Code 2256.009; 2) certificates of deposit and share certificates as permitted by Government Code 2256.010; 3) fully collateralized repurchase agreements permitted by Government Code 2256.011; 4) a securities lending program as permitted by Government Code 2256.0115; 5) banker's acceptances as permitted by Government Code 2256.013; 6) commercial paper as permitted by Government Code 2256.013; 7) No-load money market mutual funds and no-load mutual funds as permitted by Government Code 2256.014; 8) a guaranteed investment contract as an investment vehicle for bond proceeds, provided it meets the criteria and eligibility requirements established by Government Code 2256.015; and 9) public funds investment pools as permitted by Government Code 2256.016. Temporary investments are reported at cost, which approximates market, and are secured, when necessary, by the FDIC or obligations of items 1-4 above at 102% of the investment's market value.

Concentration of Credit Risk

The District's investment policy does not limit investments in any one issuer except that the investment portfolio shall be diversified in terms of investment instruments, maturing scheduling, and financial institutions to reduce risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity, or specific user.

Interest Rate Risk

The District's investment policy states that any internally created pool fund group of the District shall have a maximum dollar weighted maturity of 180 days. The maximum allowable stated maturity of any other individual investment owned by the District shall not exceed one year from the time of purchase. The Board may specifically authorize a longer maturity for a given investment, within legal limits.

The District is a voluntary participant in various investment pools. These pools included the following: TexPool, Lone Star Investment Pool, Texas CLASS and Texas Term.

The State Comptroller of Public Accounts exercises responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both Participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool Shares. Audited financial statements of the pool are available at First Public, 12008 Research Blvd., Austin, Texas 78759. In addition, TexPool is subject to review by the State Auditor's Office and by the Internal Auditor of the Comptroller's Office.

Lone Star Investment Pool is governed by an 11-member board and is a AAA rated investment program tailored to the investment needs of local governments within the state of Texas. Lone Star Investment Pool assists governments across Texas make the most of taxpayer dollars. Local officials can improve the return on their invested balances by pooling their money with other entities to achieve economies of scale in a conservative fund in full compliance with the Texas Public Funds Investment Act. Lone Star Investment Pool is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. Lone Star uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in Lone Star is the same as the value of Lone Star Shares. Lone Star is administered by First Public LLC, who also serves as the investment advisor. The reported value of the pool is the same as the fair value of the pool shares.

Texas CLASS is a local government investment pool emphasizing safety, liquidity, convenience and competitive yield. Since 1996, Texas CLASS has provided Texas public entities a safe and competitive investment alternative. Texas CLASS invests only in securities allowed by the Texas Public Funds Investment Act. Texas CLASS carries a letter of credit that ensures the integrity of the fund, making it the only investment pool in Texas backed by a letter of credit. The pool is governed by a board of trustees, elected annually by its participants. Texas CLASS is rated 'AAAm' by Standard and Poor's Ratings Services. The 'AAAm' principal stability fund rating is the highest assigned to principal stability government investment pools and is a direct reflection of Texas CLASS's outstanding credit quality and management. Texas CLASS uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in Texas CLASS is the same as the value of Texas CLASS Shares.

The TexasTERM Local Government Investment Pool was created by and for Texas local governments to provide investment programs tailored to the needs of Texas cities, counties, school districts and other public investors. TexasTERM portfolios seek to provide these investors with safety, flexibility and competitive yields. Shares are distributed by PFM Fund Distributors, Inc., member Financial Industry Regulatory Authority (FINRA) and Securities Investor Protection Corporation (SIPC). PFM Fund Distributors, Inc. is a wholly owned subsidiary of PFM Asset Management LLC. The District currently utilizes Texas DAILY, a money market portfolio with daily liquidity that is rated AAAM by Standard & Poor's. TexasTERM uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexasTERM is the same as the value of TexasTERM Shares.

The investments held at June 30, 2020 are as follows:

	Fair Value	Rating	Weighted Average Maturity (Days)*
Texpool	\$ 103,141,449	AAAm	33
Texpool Prime	63,965,458	AAAm	51
Lonestar/First Public	25,689,921	AAAm	35
Texas Class	27,307,916	AAAm	51
Texas Term - TexasDAILY	25,404,812	AAAm	48
Frost Bank Money Market **	671,386	N/A	N/A
Wells Fargo Money Market	18,206,801	N/A	N/A
Total value	<u>\$ 264,387,743</u>		

*To arrive at weighted average maturity, the maturity of floating rate and variable rate securities was deemed to be the final maturity of such securities.

**This investment belongs to the Midland I.S.D. Education Foundation.

	Governmental Activities	Component Unit
Reported in Schedule A-1		
1120 Investments - Current	\$ 263,434,816	\$ 671,386
	Private Purpose Trust Fund	
Reported in Schedule E-1		
1120 Investments - Current	\$ 281,541	

Property Tax

In the governmental fund financial statements, property tax revenues are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by January 31 of the year following the October 1 levy date. The assessed value of the property tax roll (net of exemptions), upon which the levy for the June 30, 2020 fiscal year was based, was \$35,081,271,008. Taxes are delinquent if not paid by February 1. Delinquent taxes are subject to both penalty and interest charges plus delinquent collection fees for attorney costs.

Current tax collections for the year ended June 30, 2020 were 99% of the year-end adjusted tax levy. Allowances for uncollectible taxes within the General Fund 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, 2020, property taxes receivable, net of estimated uncollectible taxes, totaled \$6,270,576.

The tax rate to finance general governmental services was \$0.97005 per \$100 and the tax rate to finance the payment of principal and interest on long-term obligations was \$0.0800 per \$100 for the year ended June 30, 2020.

Due from Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of June 30, 2020, are summarized below:

Governmental Activities	Local	State Grants/ Entitlements	Federal Grants	Total
General Fund	\$ 914,444	\$ 62,426,697	\$ -	\$ 63,341,141
Debt Service Fund	75,384	-	-	75,384
Nonmajor Governmental Funds	-	3,691,554	3,837,546	7,529,100
	\$ 989,828	\$ 66,118,251	\$ 3,837,546	\$ 70,945,625

Interfund Receivables/Payable

In the fund financial statements, interfund balances are the results of normal transactions between funds and will be liquidated in the subsequent fiscal year.

Interfund balances at June 30, 2020, resulting from payroll and accumulated fund charges, consisted of the following individual fund balances:

Due From/To Other Funds	Interfund Receivables	Interfund Payables
General Fund	\$ 7,029,188	\$ 217,081
Internal Service Funds	12,116	36,047
Private Purpose Trust Fund	954	-
Nonmajor governmental funds	322,361	7,111,491
	\$ 7,364,619	\$ 7,364,619

Midland Independent School District

Notes to Financial Statements

June 30, 2020

Interfund transfers during the year ended June 30, 2020, consisted of the following individual balances:

<u>Transfer Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	\$ 8,602,167
General Fund	Internal service funds	3,650,000
Nonmajor governmental funds	Nonmajor governmental funds	2,294
Nonmajor governmental funds	General Fund	51,320
		<u>51,320</u>
Total		<u>\$ 12,305,781</u>

The interfund transfer between the General Fund and the nonmajor government funds is due to various capital asset projects funded through the capital projects fund. The interfund transfer between the General Fund and internal service funds is to assist in funding operations in its four internal service funds.

Note 8 - Capital Asset Activity

Capital asset activity for the District for the year ended June 30, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated				
Land and improvements	\$ 9,411,119	\$ 9,950,429	\$ -	\$ 19,361,548
Construction in progress	3,023,876	2,914,961	(3,023,876)	2,914,961
				<u>2,914,961</u>
Total capital assets, not being depreciated	12,434,995	12,865,390	(3,023,876)	22,276,509
				<u>22,276,509</u>
Capital assets, being depreciated				
Buildings and improvements	425,555,043	9,483,156	-	435,038,199
Furniture and equipment	30,705,857	4,135,635	(188,314)	34,653,178
				<u>34,653,178</u>
Total capital assets, being depreciated	456,260,900	13,618,791	(188,314)	469,691,377
				<u>469,691,377</u>
Less accumulated depreciation for				
Buildings and improvements	(142,152,704)	(10,287,214)	-	(152,439,918)
Furniture and equipment	(25,175,070)	(1,323,310)	119,166	(26,379,214)
				<u>(26,379,214)</u>
Total accumulated depreciation	(167,327,774)	(11,610,524)	119,166	(178,819,132)
				<u>(178,819,132)</u>
Total capital assets, being depreciated, net	288,933,126	2,008,267	(69,148)	290,872,245
				<u>290,872,245</u>
Governmental activities capital assets, net	<u>\$ 301,368,121</u>	<u>\$ 14,873,657</u>	<u>\$ (3,093,024)</u>	<u>\$ 313,148,754</u>

Estimated costs to complete construction in progress as of June 30, 2020 are \$778,916.

Depreciation expense was charged to the District's functions as follows:

Governmental Activities		
11	Instruction	\$ 9,628,700
12	Instructional resources and media services	2,433
23	School leadership	6,019
31	Guidance, counseling, and evaluation services	18,333
33	Health services	1,499
34	Student transportation	776,710
35	Food service	111,124
36	Extracurricular activities	73,616
41	General administration	38,568
51	Plant maintenance and operations	708,464
52	Security and monitoring services	61,826
53	Data processing services	183,232
		<hr/>
	Total depreciation expense-governmental activities	\$ 11,610,524
		<hr/> <hr/>

Note 9 - Long-Term Debt

The long-term indebtedness of the District pertains to the Governmental Activities of the District. Expenditures for the debt service requirements of the long-term debt are accounted for in the General Fund and Debt Service Fund.

A summary of changes in general long-term debt for the year ended June 30, 2020 is as follows:

	Interest Rate Payable	Amounts Original Issued	Beginning Balance	Debt Issued	Principal Retired	Ending Balance	Due Within One Year
Unlimited Tax Refunding Bonds, Series 2009	1.30%	\$ 1,340,000	\$ 140,000	\$ -	\$ (140,000)	\$ -	\$ -
Unlimited Tax Refunding Bond, Series 2011	1.75-5.00%	26,500,000	17,005,000	-	(12,345,000)	4,660,000	1,635,000
Unlimited Tax Refunding Bonds, Series 2012	3.00-5.00%	22,835,000	19,070,000	-	(1,110,000)	17,960,000	1,815,000
Unlimited Tax School Building and Refunding Bonds, Series 2013	1.00-5.00%	70,175,000	7,870,000	-	(2,025,000)	5,845,000	2,125,000
Unlimited Tax School Building Series, 2015	3.00-5.00%	85,235,000	44,385,000	-	(1,165,000)	43,220,000	1,230,000
Unlimited Tax Refunding Bonds, Series 2015	1.30-5.00%	38,495,000	32,955,000	-	(1,685,000)	31,270,000	1,315,000
Unlimited Tax Refunding Bonds, Series 2016	0.80-4.00%	26,000,000	25,645,000	-	(35,000)	25,610,000	35,000
Unlimited Tax Refunding Bonds, Series 2017	3.50-5.00%	54,335,996	53,120,996	-	(85,000)	53,035,996	90,000
Total bonds payable			\$ 200,190,996	\$ -	\$ (18,590,000)	\$ 181,600,996	\$ 8,245,000

Debt service requirements for the District's long-term debt are as follows:

Year Ending June 30,	Principal	Interest	Total Requirements
2021	\$ 8,245,000	\$ 8,059,725	\$ 16,304,725
2022	8,285,000	7,701,900	15,986,900
2023	6,375,996	9,088,455	15,464,451
2024	7,080,000	7,066,500	14,146,500
2025	7,095,000	6,733,400	13,828,400
2026-2030	44,580,000	28,199,350	72,779,350
2031-2035	52,545,000	17,698,781	70,243,781
2036-2040	47,395,000	6,276,619	53,671,619
Totals	\$ 181,600,996	\$ 90,824,730	\$ 272,425,726

A summary in changes of total bonds payable and other long-term debt follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable					
General obligation bonds	\$ 200,190,996	\$ -	\$ (18,590,000)	\$ 181,600,996	\$ 8,245,000
Less deferred amounts					
For issuance premium/ discounts (CIB's)	20,713,962	-	(2,094,128)	18,619,834	-
Total bonds payable, net	220,904,958	-	(20,684,128)	200,220,830	8,245,000
Accretion on CAB, Series 2017	507,776	338,517	-	846,293	-
Governmental activities long-term liabilities	<u>\$ 221,412,734</u>	<u>\$ 338,517</u>	<u>\$ (20,684,128)</u>	<u>\$ 201,067,123</u>	<u>\$ 8,245,000</u>

There are a number of limitations and restrictions contained in the general obligation bond indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions as of June 30, 2020.

Note 10 - Commitments Under Operating Leases

Commitments under operating lease agreements for facilities and equipment provide for minimum future rental payments as of June 30, 2020 as follows:

Year Ending June 30,		
2021	\$	872,273
2022		460,729
2023		317,483
2024		260,538
Total minimum future lease payments	\$	1,911,023

Note 11 - Contingencies

The District is not a party to any legal actions that are believed by administration to have a material effect on the financial condition of the District. Accordingly, no provision for losses has been recorded in the accompanying financial statements for such contingencies.

The District participates in numerous state and federal grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at June 30, 2020, 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 financial statements for such contingencies.

The world-wide coronavirus pandemic has resulted in certain risks and uncertainties to the public in general and the District. The District is closely monitoring their operations, liquidity, and resources, and are actively working to minimize the current and future impact of this unprecedented situation.

Note 12 - Defined Benefit Pension Plan

Defined Benefit Pension Plan

Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C.

The pension trust fund is a qualified pension trust under Section 401 (a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.texas.gov/TRS%20Documents/cafr2019.pdf>, selecting *About TRS* then *Publications* then *Financial Reports* or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698.

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% (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.

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

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.

In May 2019, the 86th 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 13th 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.

Contribution

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 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 thru 2025.

	Contribution Rates	
	2019	2020
Member	7.70%	7.70%
Non-Employer Contributing Entity (State)	6.80%	7.50%
Employers	6.80%	7.50%
	2019	2020
Member Contributions	\$ 10,360,623	\$ 11,217,644
NECE On-Behalf Contributions	7,258,791	7,396,022
Employer Contributions	4,105,064	5,256,763

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

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical 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 sources, a privately sponsored source, from non-educational and general, or local funds
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.
- When the employing district is a public or charter school, the employer shall contribute 1.5% of covered payroll to the pension fund beginning in fiscal year 2020. This contribution rate called the Public Education Employed Contribution will replace the Non (OASDI) surcharge that was in effect in fiscal year 2019.

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

- When employing a retiree of the TRS the employer shall pay both the member contribution and State contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the State contribution rate for certain instructional or administrative employees; and 100% of the State contribution rate for all other employees. This surcharge was in effect through fiscal year 2019 and was replaced with the Public Education Employer Contribution explained above.

Actuarial Assumptions

The total pension liability in the August 31, 2018 actuarial valuation rolled forward to August 31, 2019 was determined using the following actuarial assumptions:

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
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 2019	2.63%
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 used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2018. For a full description of these assumptions, please see the actuarial valuation report dated November 9, 2018.

Discount Rate

A single discount rate of 7.25% 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%. 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 8.5% of payroll in fiscal year 2020 gradually increasing to 9.55% 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 expected rate of return on pension plan investments is 7.25%. 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 allocation as of August 31, 2019 are summarized on the following page.

Teacher Retirement System of Texas
Asset Allocation and Long-Term Expected Real Rate of Return as of August 31, 2019

Asset Class	Target Allocation ¹	New Target Allocation ² %	Long-Term Expected Geometric Real Rate of Return ³
Global Equity			
U.S.	18.0%	18.0%	6.4%
Non-U.S. Developed	13.0%	13.0%	6.3%
Emerging Markets	9.0%	9.0%	7.3%
Directional Hedge Funds	4.0%	0.0%	0.0%
Private Equity	13.0%	14.0%	8.4%
Stable Value			
U.S. Treasuries ⁴	11.0%	16.0%	3.1%
Stable Value Hedge Funds	4.0%	5.0%	4.5%
Absolute Return (including Credit Sensitive Investments)	0.0%	0.0%	0.0%
Real Return			
Global Inflation Linked Bonds ⁴	3.0%	0.0%	0.0%
Real Estate	14.0%	15.0%	8.5%
Energy and Natural Resources and Infrastructure	5.0%	6.0%	7.3%
Commodities	0.0%	0.0%	0.0%
Risk Parity			
Risk Parity	5.0%	8.0%	5.8%/6.5% ⁵
Asset Allocation Leverage			
Cash	1.0%	2.0%	2.5%
Asset Allocation Leverage	0.0%	-6.0%	2.7%
Totals	100%	100%	7.2%

¹ Target Allocation based on the Strategic Asset Allocation as of fiscal year 2019.

² New allocations are based on the Strategic Asset Allocation to be implemented in fiscal year 2020.

³ 10-year annualized geometric nominal returns include the real rate of return and inflation of 2.1%.

⁴ New Target Allocation groups Government Bonds within the stable value allocation. This includes global sovereign nominal and inflation-linked bonds.

⁵ 5.8% (6.5%) return expectation corresponds to Risk Parity with a 10% (12%) target volatility.

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.25%) in measuring the Net Pension Liability.

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase Discount Rate (8.25%)
Total TRS net pension liability	\$ 79,905,616,584	\$ 51,983,126,213	\$ 29,360,519,479
District's proportionate share of the net pension liability	\$ 98,334,835	\$ 63,972,376	\$ 36,132,151

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

At June 30, 2020, the District reported a liability of \$63,972,376 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the 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 the District were as follows:

District's proportionate share of the collective net pension liability	\$ 63,972,376
State's proportionate share that is associated with the District	97,630,445
Total	\$ 161,602,821

The net pension liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 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, 2018 through August 31, 2019.

At August 31, 2019, the employer's proportion of the collective net pension liability was .1230637% which was a decrease of .0001223367% from its proportion measured as of August 31, 2018.

Changes since the Prior Actuarial Valuation

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

- The single discount rate as of August 31, 2018 was a blended rate of 6.907% and that has changed to the long-term rate of return of 7.25% as of August 31, 2019.
- With the enactment of SB 3 by the Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected in the actuarial assumptions.

Midland Independent School District
Notes to Financial Statements
June 30, 2020

- The Texas Legislature approved funding for a 13th check. All eligible members retired as of December 31, 2019 will receive an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever is less.

For the year ended June 30, 2020, the District recognized pension expense of \$15,336,367 and revenue of \$6,573,361 for support provided by the State.

At June 30, 2020, the 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actuarial economic experience	\$ 268,741	\$ 2,221,222
Changes in actuarial assumptions	19,847,373	8,201,873
Difference between projected and actual investment earnings	642,357	-
Changes in proportion and differences between District contributions and the proportionate share of contributions	3,554,840	7,083,146
Contributions paid to TRS subsequent to the measurement date	<u>4,497,138</u>	<u>-</u>
Total	<u>\$ 28,810,449</u>	<u>\$ 17,506,241</u>

\$4,497,138 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2021.

The net amount of employee's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	<u>Pension Expense Amount</u>
2021	\$ 2,159,845
2022	1,382,322
2023	1,865,897
2024	2,097,047
2025	154,953
Thereafter	<u>(852,994)</u>
Totals	<u>\$ 6,807,070</u>

Note 13 - Postemployment Health Benefits

Plan Description

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

OPEB Plan Fiduciary Net Position

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

Benefits Provided

TRS-Care provides 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. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-retirement benefit changes, including automatic COLAs.

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

TRS-Care Monthly for Retirees		
January 1, 2019 thru December 31, 2019		
	Medicare	Non-Medicare
Retiree*	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1,020	999
<i>* or surviving spouse</i>		

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 changed based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of Trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the State's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .75% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employee 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:

Contributions Rates		
	2019	2020
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%
	2019	2020
Employer Contributions	\$ 1,127,509	\$ 1,264,217
Member Contributions	874,596	946,946
NECE On-behalf Contributions	1,724,651	2,045,813

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 \$73.6 million in fiscal year 2019.

Actuarial Assumptions

The total OPEB liability in the August 31, 2018 was rolled forward to August 31, 2019. The actuarial valuation was determined using the following actuarial assumptions:

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2018 TRS pension plan actuarial valuation that was rolled forward to August 31, 2019:

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

Additional Actuarial Methods and Assumptions

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	2.63%
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases	2.5% to 9.50%
Healthcare Trend Rates	4.50% to 7.4% The initial medical trend rates were 10.25% for Medicare retirees and 7.5% for non-Medicare retirees. There was an initial prescription drug trend rate of 10.25% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.5% over a period of 13 years.
Election Rates	Normal Retirement: 65% participation prior to age 65 and 50% participation after age 65; 25% of pre-65 retirees are assumed to discontinue coverage at age 65.
Ad hoc post-employment benefit changes	None

The impact of the Cadillac Tax that is returning in fiscal year 2023, has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.30%.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the excise tax would be reasonably represented by a 25 basis point addition to the long-term trend rate assumption.

Discount Rate

A single discount rate of 2.63% was used to measure the total OPEB liability. There was a decrease of 1.06% in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (2.63%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (1.63%)	Discount Rate (2.63%)	1% Increase Discount Rate (3.63%)
Total TRS net OPEB liability	\$ 57,095,682,852	\$ 47,291,224,890	\$ 39,621,188,484
District's proportionate share of the Net OPEB liability	\$ 95,626,071	\$ 79,205,183	\$ 66,359,108

Healthcare Cost Trend Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if a healthcare trend rate that is 1% less than and 1% greater than the assumed 8.5% rate used:

	1% Decrease in Healthcare Trend Rate (7.5%)	Current Single Healthcare Trend Rate (8.5%)	1% Increase in Healthcare Trend Rate (9.5%)
Total TRS net OPEB liability	\$ 38,578,522,354	\$ 47,291,224,890	\$ 58,962,245,589
District's proportionate share of the Net OPEB liability	\$ 64,612,810	\$ 79,205,183	\$ 98,752,262

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At June 30, 2020, the District reported a liability of \$79,205,183 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	\$ 79,205,183
State's proportionate share that is associated with the District	105,245,971
Total	\$ 184,451,154

The Net OPEB Liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The District'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, 2018 through August 31, 2019.

At June 30, 2020, the District's proportion of the collective Net OPEB Liability was 0.1674839% compared to .1802089% as of June 30, 2019.

Changes Since the Prior Actuarial Valuation

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

- The discount rate changed from 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019. This change increased the Total OPEB liability (TOL.)
- The health care trend rates were reset to better reflect the plan’s anticipated experience. This change increased the TOL.
- The participation rate for pre-65 retirees was lowered from 70% to 65%. The participation rate for post-65 retirees was lowered from 75% to 50%. 25% of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the TOL.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20% to 15%. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20% to 10%. These changes decreased the TOL.
- Change 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, 2020, the District recognized OPEB expense of \$2,773,852 and revenue of \$1,579,384 for support provided by the State.

At June 30, 2020, 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 actuarial economic experience	\$ 3,885,687	\$ 12,961,088
Changes in actuarial assumptions	4,399,230	21,304,250
Difference between projected and actual investment earnings	8,545	-
Changes in proportion and differences between District contributions and the proportionate share of contributions	479,064	7,042,983
Contributions paid to TRS subsequent to the measurement date	1,069,491	-
Totals	\$ 9,842,017	\$ 41,308,321

\$1,069,491 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ended June 30, 2021.

The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30	OPEB Expense Amount
2021	\$ (5,178,747)
2022	(5,178,747)
2023	(5,181,513)
2024	(5,183,095)
2025	(5,182,662)
Thereafter	(6,631,031)
Totals	\$ (32,535,795)

Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006 established prescription drug coverage for Medicare beneficiaries know as Medicare Part D. One of the provisions of Medicare Part D allows for TRS-Care to receive retiree drug subsidy payments from federal governments to offset certain prescriptions drug expenditures for eligible TRS-Care participants. These on-behalf payments have been recognized as equal revenues and expenditures by the District in the amount of \$625,473, \$564,215, and \$427,698 for the years ended June 30, 2020, 2019 and 2018, respectively.

Note 14 - Revenues from Local and Intermediate Sources

	General	Debt Service	Nonmajor Governmental	Total
Property taxes	\$ 336,518,217	27,741,741	\$ -	\$ 364,259,958
Penalties, interest, and other tax-related	1,834,346	145,701	-	1,980,047
Investment income	1,827,035	186,526	204,759	2,218,320
Food sales	-	-	2,109,886	2,109,886
Co-curricular/extra- curricular student activities	462,695	-	415,868	878,563
Gifts and bequests	373,743	-	1,675,451	2,049,194
Grants	-	-	854,006	854,006
Insurance recoveries	59,677	-	6,235,543	6,295,220
Oil and gas leases	2,241,641	-	-	2,241,641
Other	726,676	-	131,733	858,409
Total	\$ 344,044,030	\$ 28,073,968	\$ 11,627,246	\$ 383,745,244

Note 15 - Employee Defined Contribution Plan

The District sponsors a 401 (a) plan for the benefit of its employees. The plan provides for discretionary monthly contributions up to the maximum of 3.0%. The percentage contributed by the District is determined annually by the Board of Trustees. Participants begin to vest in benefits after 3 years and become fully vested after 5 years. Participants are 100% vested in their personal contributions at all times. The Board of Trustees did not authorize a discretionary contribution for the year ended June 30, 2020.

Note 16 - Fund Balance

The District classifies governmental fund balance in accordance with Government Accounting Standards Board (GASB) 54, Fund Balance Reporting and Governmental Fund Type Definitions:

Nonspendable fund balance includes fund balance that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. At June 30, 2020, the District had restricted fund balance for grant funding of \$3,752,918, debt service of \$13,791,731 and amounts related to its partnerships with various nonprofits administrating specific District campus locations of \$4,003,902.

Committed fund balance is established and modified by a resolution from the District's Board, the District's highest level of decision-making authority, and can be used only for the specific purposes determined by the Board's resolution. At June 30, 2020, the capital projects fund had a remaining fund balance of \$11,914,642 transferred from the General Fund for construction projects. At June 30, 2020, the District had \$1,044,912 committed for campus activity funds.

Assigned fund balance is intended to be used by the District for specific purposes but does not meet the criteria to be classified as restricted or committed. The Board has delegated the authority to assign fund balance to the Superintendent or the Chief Financial Officer. At June 30, 2020, the District had \$30,000,000 assigned for future capital projects; \$10,000,000 assigned for future technology replacements and projects; and \$3,000,000 assigned for the District's self-insurance fund.

Unassigned fund balance is the residual classification for the District's general fund and includes all spendable amounts not contained in the other classifications.

When both restricted and unrestricted fund balances are available for use, it is the District's policy to use restricted fund balance first, then unrestricted fund balance. The District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made. The District does not have a formal minimum fund balance policy.

Note 17 - General Fund Federal Source Revenues

Revenues from federal sources, which are reported in the General Fund, consist of:

	CFDA	Amount
School of Health and Related Services	N/A	\$ 1,264,171
ROTC	N/A	59,677
E-rate	N/A	418,931
Indirect costs:		
ESEA Title I, Part A	84.010A	137,533
Title I, Transformation Zone	84.010A	91,822
Title I, Priority & Focus	84.010A	17,718
IDEA - Part B	84.027A	140,521
IDEA - Part B Preschool	84.173A	1,663
Title IV, Part A	84.424A	12,693
Career & Technical Basic	84.048A	12,243
ESEA Title II, Part A	84.367A	16,373
National School Breakfast/Lunch Program	10.555	291,667
Title III, Part A - Immigrant	84.365A	18,056
		\$ 2,483,068

Note 18 - 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 year 2020, 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.

Worker's Compensation

GASB 10 requires that state and local governmental entities other than public entity risk pools are required to report an estimated loss from a claim as an expenditure/expense and as a liability if both of these conditions are met: a) Information available before the financial statements are issued indicates that it is probable that an asset had been impaired or a liability had been incurred at the date of the financial statements. It is implicit in this condition that it must be probable that one or more future events will also occur, confirming the fact of the loss. b) The amount of the loss can be reasonably estimated.

Beginning in 1997, the District changed from a self-funded worker's compensation plan to an outside provider for their worker's compensation coverage. The District remains liable for claims incurred prior to August 31, 1997 under the self-funded plan. These run-off claims amount to approximately \$198,746 and are included in the total accrued liabilities. The District remained fully-insured until March of 2001, at which time the District established its current self-funded program. The District has since maintained a self-insured retention of \$200,000 per occurrence. The District currently purchases excess coverage to statutory limits from the Texas Association of School Boards. The District does not purchase aggregate excess insurance. Claims administration is provided by the Texas Association of School Boards.

At June 30, 2020, the accrued liabilities for worker's compensation self-insurance of \$1,585,781 includes estimated incurred but not reported claims and is included in accrued expense liability.

	Year Ended June 30, 2020
Unpaid claims, beginning of fiscal year	\$ 1,887,057
Incurred claims (including IBNR's and changes in provisions)	72,305
Claim payments	<u>(373,581)</u>
Unpaid claims, end of fiscal year	<u>\$ 1,585,781</u>

Health Care Coverage

The District sponsors a modified self-insurance plan to provide health care benefits to staff members and their dependents. Transactions related to the plan are accounted for in the Health Insurance Fund (the "Fund"), an internal service fund of the District. Partial staff member contributions are required for personal coverage and total staff member contributions are required for coverage of dependents. The District obtained excess loss insurance, which limited annual claims paid from the Fund for the year ended June 30, 2020, to \$290,000 for any individual participant and an aggregate limit equal to \$2,000,000. Estimates of claims payable and of claims incurred, but not reported at June 30, 2020, are reflected as accounts and claims payable of the Fund. The plan is funded to discharge liabilities of the Fund as they become due. The District does not provide any post-retirement health benefits to its employees. Unpaid claims are included in the internal service fund as accrued liabilities.

Changes in the balances of claims liabilities during the year are as follows:

	Year Ended June 30, 2020
Unpaid claims, beginning of fiscal year	\$ 898,233
Incurred claims (including IBNR's and changes in provisions)	16,237,558
Claim payments	<u>(15,792,366)</u>
Unpaid claims, end of fiscal year	<u>\$ 1,343,425</u>

Note 19 - Budgeted Expenditures

The District reported expenditures in excess of budgeted amounts for the following function for the year ended June 30, 2020:

		<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
0091	Intergovernmental Contracted instructional services between schools	\$ 137,377,602	\$ 139,079,427	\$ (1,701,825)

The 116th Congress of the United States passed the Coronavirus Air, Relief, and Economic Security Act (CARES Act) on March 25, 2020 to provide emergency assistance in response to the 2020 coronavirus pandemic (COVID-19). As a result, the Texas Education Agency (TEA) used the CARES Act funding for the State’s foundation school program and the District recognized a reduction in state aid through increased recapture, net of \$3.3 million, in 2019-20 school year. The final budget amendment was approved prior to the State’s supplementation of CARES Act funding through a reduction of Average Daily Attendance (ADA). As a result, recapture increased by \$3 million and exceeded the final budget by \$1.7 million.

Note 20 - Subsequent Event

On July 14, 2020, the District issued \$39,344,986 in Unlimited Tax Refunding Bonds, Taxable Series 2020. The series partially refunds the Unlimited Tax Refunding Bonds, Series 2014.



Required Supplementary Information
June 30, 2020

Midland Independent School District

Data Control Codes		Budgeted Amounts	
		Original	Final
	Revenues		
5700	Local and intermediate revenues	\$ 326,209,556	\$ 337,898,490
5800	State program revenues	61,308,853	67,686,456
5900	Federal program revenues	1,685,000	1,685,000
5020	Total revenues	389,203,409	407,269,946
	Expenditures		
	Current		
0011	Instruction	154,266,842	140,068,325
0012	Instructional resources and media services	2,609,362	3,393,907
0013	Curriculum and instructional staff development	4,106,486	5,143,523
0021	Instructional leadership	4,772,307	5,401,925
0023	School leadership	15,727,819	16,416,085
0031	Guidance, counseling, and evaluation services	10,263,478	10,587,869
0032	Social work services	250,026	1,355,585
0033	Health services	3,053,914	4,137,717
0034	Student transportation	8,975,268	11,137,440
0035	Food service	-	950,000
0036	Extracurricular activities	7,011,196	6,939,440
0041	General administration	7,613,973	8,057,661
0051	Plant maintenance and operations	40,315,676	25,889,023
0052	Security and monitoring services	2,104,082	3,163,610
0053	Data processing services	6,236,573	7,357,830
0061	Community services	701,206	1,794,358
	Capital outlay		
0081	Facilities acquisition and construction	564,900	3,638,433
	Intergovernmental		
0091	Contracted instructional services between schools	118,475,146	137,377,602
0099	Other intergovernmental charges	2,155,155	2,207,446
6030	Total expenditures	389,203,409	395,017,779
1100	(Deficiency) excess of revenues (under) over expenditures	-	12,252,167
	Other financing sources (uses)		
7912	Sale of Real and Personal Property	-	-
7915	Transfers in	-	-
8911	Transfers out	-	(12,252,167)
7080	Total other financing sources (uses)	-	(12,252,167)
1200	Net change in fund balance	-	-
0100	Fund balance, beginning	101,198,778	101,198,778
3000	Fund balance, ending	\$ 101,198,778	\$ 101,198,778

See Notes to Required Supplementary Information

Midland Independent School District

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund

(Exhibit G-1)

Year Ended June 30, 2020

Actual	Variance with Final Budget Positive (Negative)
\$ 344,044,030	\$ 6,145,540
79,062,327	11,375,871
2,483,068	798,068
<u>425,589,425</u>	<u>18,319,479</u>
129,659,556	10,408,769
2,121,729	1,272,178
3,073,203	2,070,320
3,766,660	1,635,265
14,040,453	2,375,632
8,077,172	2,510,697
227,058	1,128,527
2,794,713	1,343,004
7,795,044	3,342,396
142,332	807,668
5,447,249	1,492,191
5,727,507	2,330,154
22,076,431	3,812,592
1,857,848	1,305,762
5,723,245	1,634,585
369,567	1,424,791
1,684,384	1,954,049
139,079,427	(1,701,825)
2,071,738	135,708
<u>355,735,316</u>	<u>39,282,463</u>
<u>69,854,109</u>	<u>57,601,942</u>
10,444	10,444
51,320	51,320
(12,252,167)	-
<u>(12,190,403)</u>	<u>61,764</u>
57,663,706	57,663,706
101,198,778	-
<u>\$ 158,862,484</u>	<u>\$ 57,663,706</u>

Midland Independent School District

Schedule of the District's Proportionate Share of the Net Pension Liability – Teacher Retirement System of Texas (Exhibit G-2)
Year Ended June 30, 2020

	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.1230637%	0.1352974%	0.1401599%	0.1445504%	0.1589302%	0.1589302%
District's proportionate share of the net pension liability	\$ 63,972,376	\$ 74,470,954	\$ 44,815,570	\$ 54,623,985	\$ 56,179,170	\$ 56,179,170
State's proportionate share of the net pension liability associated with the District	97,630,445	116,759,846	64,433,639	81,609,959	78,651,973	78,651,973
Totals	\$ 161,602,821	\$ 191,230,800	\$ 109,249,209	\$ 136,233,944	\$ 134,831,143	\$ 134,831,143
District's covered payroll	\$ 135,684,814	\$ 145,785,950	\$ 136,693,306	\$ 142,659,151	\$ 141,859,865	\$ 125,267,279
District's proportionate share of the net pension liability as a percentage of its covered payroll	47.15%	51.08%	32.79%	38.29%	39.60%	44.85%
Plan fiduciary net position as a percentage of the total pension liability	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

Note: The information disclosed for each fiscal year is reported as of the measurement date of the net pension liability which is August 31 of the preceding fiscal year.

Note: Plan information was unavailable prior to 2014.

Midland Independent School District

Schedule of the District's Contributions to the Pension Plan – Teacher Retirement System of Texas (Exhibit G-3)
Year Ended June 30, 2020

	6/30/2020	6/30/2019	6/30/2018	8/31/2017	8/31/2016	8/31/2015
Contractually required contributions	\$ 5,256,763	\$ 4,105,064	\$ 3,865,452	\$ 4,593,622	\$ 4,592,732	\$ 4,705,992
Contributions in relation to the contractually required contributions	\$ (5,256,763)	\$ (4,105,064)	\$ (3,865,452)	(4,593,622)	(4,592,732)	(4,705,992)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 145,720,633	\$ 134,544,961	\$ 123,698,674	\$ 136,693,306	\$ 142,659,151	\$ 141,859,865
Contributions as a percentage of covered payroll	3.61%	3.05%	3.12%	3.36%	3.22%	3.32%

Note: The information disclosed for each fiscal year is reported as of the District's fiscal year-end date.

Note 2: Plan information was unavailable prior to 2014.

Midland Independent School District
Schedule of the District's Proportionate Share of the Net OPEB Liability (Exhibit G-4)
Year Ended June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	0.1674839%	0.1802089%	0.1792066%
District's proportionate share of the net OPEB liability	\$ 79,205,183	\$ 89,979,966	\$ 77,930,218
State's proportionate share of the net OPEB liability associated with the District	<u>105,245,971</u>	<u>127,050,649</u>	<u>106,760,063</u>
Totals	<u>\$ 184,451,154</u>	<u>\$ 217,030,615</u>	<u>\$ 184,690,281</u>
District's covered employee payroll	\$ 135,684,814	\$ 145,785,950	\$ 136,693,306
District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	58.37%	61.72%	57.01%
Plan fiduciary net position as a percentage of the total OPEB liability	2.66%	1.57%	0.91%

Note: The information disclosed for each fiscal year is reported as of the measurement date of the net OPEB liability which is August 31 of the preceding fiscal year.

Note: Plan information was unavailable prior to 2018.

Midland Independent School District
Schedule of the District's Contributions to the OPEB Plan (Exhibit G-5)
Year Ended June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contributions	\$ 1,264,217	\$ 1,127,509	\$ 1,056,281
Contributions in relation to the contractually required contributions	<u>\$ (1,264,217)</u>	<u>\$ (1,127,509)</u>	<u>\$ (1,056,281)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 145,720,633	\$ 134,544,961	\$ 123,698,674
Contributions as a percentage of covered employee payroll	0.87%	0.84%	0.85%

Note: The information disclosed for each fiscal year is reported as of the District's fiscal year-end date.

Note 2: Plan information was unavailable prior to 2018.

Note 1 - Budget

Budgetary Information

Each school district in Texas is required by law to prepare annually a budget of anticipated revenues and expenditures for the general fund, debt service fund, and the National School Breakfast and Lunch Program special revenue fund. The Texas Education Code requires the budget to be prepared not later than June 19 and adopted by June 30 of each year. The budgets are prepared on a basis of accounting that is used for reporting in accordance with generally accepted accounting principles.

The following procedures are followed in establishing the budgetary data reflected in the fund financial schedules:

1. Prior to June 19 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Prior to July 1, the budget is formally approved and adopted by the Board.

The appropriated budget is prepared by fund and function. The District's campus/department heads may make transfers of appropriations within a campus or department. Transfers of appropriations between campuses or departments require the approval of the District's management. Increasing any one of the functional spending categories, or revenues object accounts and other resources require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level within a fund. All annual appropriations lapse at fiscal year-end.

Transfers out represent transfers from the general fund to the capital projects fund and internal service fund.

Note 2 - Pension

Changes of Benefit Terms

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

Changes in the Size or Composition of the Population Covered by the Benefit Terms

There were no changes in the size or composition of the population covered by the benefit terms during the measurement period.

Changes of Assumptions

- The single discount rate as of August 31, 2018 was a blended rate of 6.907% and that has been changed to the long-term rate of 7.25% as of August 31, 2019.
- With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected in the actuarial assumptions.
- The Texas Legislature approved funding for a 13th check. All eligible members retired as of December 31, 2018 will receive an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or 42,000, whichever is less.

Note 3 - OPEB

Changes of Benefit Terms

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

Changes in the Size or Composition of the Population Covered by the Benefit Terms

There were no changes in the size or composition of the population covered by the benefit terms during the measurement period.

Changes of Assumptions

- The discount rate changed from 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019. This change increased the Total OPEB liability (TOL.)
- The health care trend rates were reset to better reflect the plan's anticipated experience. This change increased the TOL.
- The participation rate for pre-65 retirees was lowered from 70% to 65%. The participation rate for post-65 retirees was lowered from 75% to 50%. 25% of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the TOL.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20% to 15%. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20% to 10%. These changes decreased the TOL.



Other Supplementary Information
June 30, 2020

Midland Independent School District

Data Control Codes	211	224	225	
	ESEA Title I, Part A - Improving Basic Programs	IDEA-Part B Formula	IDEA-Part B Preschool	
Assets				
1110	Cash and cash equivalents	\$ 200,391	\$ 361,751	\$ 774
1120	Current investments	-	-	-
1240	Due from other governments	871,605	511,126	7,799
1260	Due from other funds	-	-	-
1290	Other receivables	-	247	-
1300	Inventories	-	-	-
1000	Total assets	\$ 1,071,996	\$ 873,124	\$ 8,573
Liabilities				
2110	Accounts payable	\$ 66,858	\$ 9,079	\$ 26
2150	Payroll deductions and withholdings	70,078	65,935	1,233
2160	Accrued wages payable	101,970	165,876	2,225
2170	Due to other funds	833,090	632,234	5,089
2300	Unearned revenue	-	-	-
2000	Total liabilities	1,071,996	873,124	8,573
Fund Balances				
3410	Nonspendable - inventories	-	-	-
3450	Restricted - grants	-	-	-
3510	Committed - construction	-	-	-
3545	Committed - other	-	-	-
	Total fund balances	-	-	-
	Total liabilities and fund balances	\$ 1,071,996	\$ 873,124	\$ 8,573

Midland Independent School District
Combining Balance Sheet – Nonmajor Governmental Funds – Special Revenue Funds (Exhibit H-1)
June 30, 2020

240	242	244	255	258
National School Breakfast/Lunch Program	Summer Feeding Program	Career & Technical Basic Grant	ESEA Title II, Part A; Teacher & Principal Training & Recruiting	Public Charter Schools
\$ 957,487	\$ 808,609	\$ 6,006	\$ 17	\$ -
2,504,317	150,000	-	-	-
-	838,348	23,806	178,794	644,770
314,708	-	-	-	-
5,792	-	-	-	-
804,893	38,580	-	-	-
<u>\$ 4,587,197</u>	<u>\$ 1,835,537</u>	<u>\$ 29,812</u>	<u>\$ 178,811</u>	<u>\$ 644,770</u>
\$ 64,341	\$ 16,908	\$ -	\$ -	\$ 644,770
50,374	3,601	-	4,357	-
17,104	-	-	-	-
2,865	1,338,644	29,812	174,454	-
346,524	-	-	-	-
<u>481,208</u>	<u>1,359,153</u>	<u>29,812</u>	<u>178,811</u>	<u>644,770</u>
804,893	38,580	-	-	-
3,301,096	437,804	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>4,105,989</u>	<u>476,384</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 4,587,197</u>	<u>\$ 1,835,537</u>	<u>\$ 29,812</u>	<u>\$ 178,811</u>	<u>\$ 644,770</u>

Data Control Codes		263 Title III, Part A English Language Acquisition & Enhancement	272 Medical Assistance Program
	Assets		
1110	Cash and cash equivalents	\$ -	\$ -
1120	Current investments	-	-
1240	Due from other governments	66,051	-
1260	Due from other funds	-	-
1290	Other receivables	13	-
1300	Inventories	-	-
1000	Total assets	\$ 66,064	\$ -
	Liabilities		
2110	Accounts payable	\$ 10,581	\$ -
2150	Payroll deductions and withholdings	5,818	-
2160	Accrued wages payable	16,596	-
2170	Due to other funds	33,069	-
2300	Unearned revenue	-	-
2000	Total liabilities	66,064	-
	Fund Balances		
3410	Nonspendable - inventories		
3450	Restricted - grants	-	-
3510	Committed - construction	-	-
3545	Committed - other	-	-
	Total fund balances	-	-
	Total liabilities and fund balances	\$ 66,064	\$ -

Midland Independent School District
Combining Balance Sheet – Nonmajor Governmental Funds – Special Revenue Funds (Exhibit H-1)
June 30, 2020

289	296	396	410	429	461
Other Federal Special Revenue Funds	Title I, Priority & Focus	Advanced Placement Testing	State Textbook Fund	Other State Funded Special Revenue Funds	Campus Activity Fund
\$ 2,755	\$ 11,351	\$ 70,308	\$ -	\$ 105,055	\$ 1,056,434
-	-	-	-	-	-
542,245	153,002	-	3,691,554	-	-
-	-	-	-	7,520	133
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 545,000</u>	<u>\$ 164,353</u>	<u>\$ 70,308</u>	<u>\$ 3,691,554</u>	<u>\$ 112,575</u>	<u>\$ 1,056,567</u>
\$ 16,242	\$ 3,753	\$ -	\$ 273,938	\$ 2,529	\$ 10,000
38,787	-	-	-	10,082	688
19,711	9,970	-	-	27,825	-
470,260	150,630	457	3,417,616	91	967
-	-	69,851	-	72,048	-
<u>545,000</u>	<u>164,353</u>	<u>70,308</u>	<u>3,691,554</u>	<u>112,575</u>	<u>11,655</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	1,044,912
-	-	-	-	-	1,044,912
<u>\$ 545,000</u>	<u>\$ 164,353</u>	<u>\$ 70,308</u>	<u>\$ 3,691,554</u>	<u>\$ 112,575</u>	<u>\$ 1,056,567</u>

		<u>499</u>	
<u>Data Control Codes</u>		<u>Other Local Special Revenue Funds</u>	<u>Total Nonmajor Special Revenue Funds</u>
Assets			
1110	Cash and cash equivalents	\$ 305,079	\$ 3,886,017
1120	Current investments	5,314,621	7,968,938
1240	Due from other governments	-	7,529,100
1260	Due from other funds	-	322,361
1290	Other receivables	23,286	29,338
1300	Inventories	-	843,473
1000	Total assets	<u>\$ 5,642,986</u>	<u>\$ 20,579,227</u>
Liabilities			
2110	Accounts payable	\$ 759,173	\$ 1,878,198
2150	Payroll deductions and withholdings	226	251,179
2160	Accrued wages payable	-	361,277
2170	Due to other funds	22,213	7,111,491
2300	Unearned revenue	4,847,356	5,335,779
2000	Total liabilities	<u>5,628,968</u>	<u>14,937,924</u>
Fund Balances			
3410	Nonspendable - inventories	-	843,473
3450	Restricted - grants	14,018	3,752,918
3510	Committed - construction	-	-
3545	Committed - other	-	1,044,912
	Total fund balances	<u>14,018</u>	<u>5,641,303</u>
	Total liabilities and fund balances	<u>\$ 5,642,986</u>	<u>\$ 20,579,227</u>

Midland Independent School District
 Combining Balance Sheet – Nonmajor Governmental Funds – Special Revenue Funds (Exhibit H-1)
 June 30, 2020

699	Total Nonmajor Governmental Funds (See Exhibit C-1)
Capital Projects Fund	
2,065,882	\$ 5,951,899
9,853,430	17,822,368
-	7,529,100
-	322,361
-	29,338
-	843,473
<u>\$ 11,919,312</u>	<u>\$ 32,498,539</u>
\$ 4,670	\$ 1,882,868
-	251,179
-	361,277
-	7,111,491
-	5,335,779
<u>4,670</u>	<u>14,942,594</u>
-	843,473
-	3,752,918
11,914,642	11,914,642
-	1,044,912
<u>11,914,642</u>	<u>17,555,945</u>
<u>\$ 11,919,312</u>	<u>\$ 32,498,539</u>

Data Control Codes	211	224	225
	ESEA Title I, Part A - Improving Basic Programs	IDEA-Part B Formula	IDEA-Part B Preschool
Revenues			
5700	Local and intermediate revenues	\$ -	\$ -
5800	State program revenues	-	-
5900	Federal program revenues	3,501,778	37,575
5020	Total revenues	3,501,778	37,575
Expenditures			
Current			
0011	Instruction	2,156,789	37,551
0012	Instructional resources and media services	8,142	-
0013	Curriculum and instructional staff development	591,576	-
0021	Instructional leadership	41,140	24
0023	School leadership	352,567	-
0031	Guidance, counseling, and evaluation services	83,096	-
0033	Health services	-	-
0035	Food service	-	-
0036	Extracurricular activities	-	-
0041	General administration	321	-
0051	Plant maintenance and operations	-	-
0052	Security and monitoring services	-	-
0053	Data processing services	90,748	-
0061	Community services	177,399	-
0081	Facilities acquisition and construction	-	-
0093	Payments related to shared service arrangements	-	135,390
6030	Total expenditures	3,501,778	37,575
1100	Excess (deficiency) of revenues over (under) expenditures	-	-
Other financing sources (uses)			
7915	Transfers in	-	-
8911	Transfers out	-	-
	Total other financing sources (uses)	-	-
1200	Net change in fund balances	-	-
0100	Fund balances, beginning	-	-
3000	Fund balances, ending	\$ -	\$ -

Midland Independent School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental
Funds – Special Revenue Funds (Exhibit H-2)
Year Ended June 30, 2020

240	242	244	255	258
National School Breakfast/Lunch Program	Summer Feeding Program	Career & Technical Basic Grant	ESEA Title II, Part A; Teacher & Principal Training & Recruiting	Public Charter Schools
\$ 2,177,331	\$ -	\$ -	\$ -	\$ -
83,305	-	-	-	-
6,130,385	2,086,123	285,050	763,550	645,793
8,391,021	2,086,123	285,050	763,550	645,793
-	-	246,502	5,952	4,763
-	-	-	-	-
-	-	-	456,568	432,732
-	-	-	16,774	-
-	-	-	-	208,298
-	-	38,548	-	-
-	-	-	-	-
8,889,588	1,900,260	-	-	-
-	-	-	-	-
-	-	-	284,256	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
8,889,588	1,900,260	285,050	763,550	645,793
(498,567)	185,863	-	-	-
852,294	150,000	-	-	-
-	-	-	-	-
852,294	150,000	-	-	-
353,727	335,863	-	-	-
3,752,262	140,521	-	-	-
\$ 4,105,989	\$ 476,384	\$ -	\$ -	\$ -

Data Control Codes		263	272
		Title III, Part A English Language Acquisition & Enhancement	Medical Assistance Program
	Revenues		
5700	Local and intermediate revenues	\$ -	\$ -
5800	State program revenues	-	-
5900	Federal program revenues	437,141	31,570
5020	Total revenues	437,141	31,570
	Expenditures		
	Current		
0011	Instruction	377,022	-
0012	Instructional resources and media services	-	-
0013	Curriculum and instructional staff development	57,163	-
0021	Instructional leadership	2,956	-
0023	School leadership	-	-
0031	Guidance, counseling, and evaluation services	-	-
0033	Health services	-	31,570
0035	Food service	-	-
0036	Extracurricular activities	-	-
0041	General administration	-	-
0051	Plant maintenance and operations	-	-
0052	Security and monitoring services	-	-
0053	Data processing services	-	-
0061	Community services	-	-
0081	Facilities acquisition and construction	-	-
0093	Payments related to shared service arrangements	-	-
6030	Total expenditures	437,141	31,570
1100	Excess (deficiency) of revenues over (under) expenditures	-	-
	Other financing sources (uses)		
7915	Transfers in	-	-
8911	Transfers out	-	-
	Total other financing sources (uses)	-	-
1200	Net change in fund balances	-	-
0100	Fund balances, beginning	-	-
3000	Fund balances, ending	\$ -	\$ -

Midland Independent School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental
Funds – Special Revenue Funds (Exhibit H-2)
Year Ended June 30, 2020

289	296	396	410	429	461
Other Federal Special Revenue Funds	Title I, Priority & Focus	Advanced Placement Testing	State Textbook Fund	Other State Funded Special Revenue Funds	Campus Activity Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 436,168
-	-	-	5,250,221	309,022	1,197
3,116,928	579,294	-	-	-	-
3,116,928	579,294	-	5,250,221	309,022	437,365
1,727,469	305,506	-	5,250,221	40,514	275,266
1,920	-	-	-	-	17,487
228,187	267,610	-	-	134,722	914
248,311	-	-	-	1,049	-
312,882	6,178	-	-	2,263	5,205
230,948	-	-	-	102,191	34,350
1,555	-	-	-	-	-
-	-	-	-	-	1,750
-	-	-	-	-	122,864
11,759	-	-	-	3,506	-
314,206	-	-	-	477	135,052
-	-	-	-	24,300	-
39,691	-	-	-	-	-
-	-	-	-	-	22,449
-	-	-	-	-	-
-	-	-	-	-	-
3,116,928	579,294	-	5,250,221	309,022	615,337
-	-	-	-	-	(177,972)
-	-	-	-	-	-
-	-	-	-	-	(2,294)
-	-	-	-	-	(2,294)
-	-	-	-	-	(180,266)
-	-	-	-	-	1,225,178
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,044,912

		<u>499</u>	
<u>Data Control Codes</u>		<u>Other Local Special Revenue Funds</u>	<u>Total Nonmajor Special Revenue Funds</u>
Revenues			
5700	Local and intermediate revenues	\$ 2,665,879	\$ 5,279,378
5800	State program revenues	94	5,643,839
5900	Federal program revenues	-	20,876,569
5020	Total revenues	<u>2,665,973</u>	<u>31,799,786</u>
Expenditures			
Current			
0011	Instruction	77,544	12,354,989
0012	Instructional resources and media services	-	27,549
0013	Curriculum and instructional staff development	-	2,228,928
0021	Instructional leadership	200,000	640,700
0023	School leadership	-	887,393
0031	Guidance, counseling, and evaluation services	-	1,575,333
0033	Health services	-	33,125
0035	Food service	-	10,791,598
0036	Extracurricular activities	-	122,864
0041	General administration	-	299,842
0051	Plant maintenance and operations	200,526	650,261
0052	Security and monitoring services	275,502	299,802
0053	Data processing services	28,746	159,185
0061	Community services	62,386	262,234
0081	Facilities acquisition and construction	1,821,766	1,821,766
0093	Payments related to shared service arrangements	-	135,390
6030	Total expenditures	<u>2,666,470</u>	<u>32,290,959</u>
1100	Excess (deficiency) of revenues over (under) expenditures	<u>(497)</u>	<u>(491,173)</u>
Other financing sources (uses)			
7915	Transfers in	-	1,002,294
8911	Transfers out	(51,320)	(53,614)
		<u>(51,320)</u>	<u>948,680</u>
1200	Net change in fund balances	(51,817)	457,507
0100	Fund balances, beginning	<u>65,835</u>	<u>5,183,796</u>
3000	Fund balances, ending	<u>\$ 14,018</u>	<u>\$ 5,641,303</u>

Midland Independent School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental
Funds – Special Revenue Funds (Exhibit H-2)
Year Ended June 30, 2020

699	Total Nonmajor Governmental Funds (See Exhibit C-2)
Capital Projects Fund	
\$ 6,347,868	\$ 11,627,246
-	5,643,839
-	20,876,569
<u>6,347,868</u>	<u>38,147,654</u>
-	12,354,989
-	27,549
-	2,228,928
-	640,700
-	887,393
-	1,575,333
-	33,125
-	10,791,598
-	122,864
-	299,842
8,500	658,761
-	299,802
-	159,185
-	262,234
12,835,764	14,657,530
-	135,390
<u>12,844,264</u>	<u>45,135,223</u>
<u>(6,496,396)</u>	<u>(6,987,569)</u>
7,602,167	8,604,461
-	(53,614)
<u>7,602,167</u>	<u>8,550,847</u>
1,105,771	1,563,278
<u>10,808,871</u>	<u>15,992,667</u>
<u>\$ 11,914,642</u>	<u>\$ 17,555,945</u>

Data Control Codes		752 Print Shop Fund	753 Self Insurance Fund
Assets			
Current assets			
1110	Cash and cash equivalents	\$ -	\$ 1,597,868
1120	Current investments	-	4,820,296
1260	Due from other funds	8,711	3,405
1290	Other receivables	2,150	-
1410	Prepaid items	15,405	175,439
	Total current assets	26,266	6,597,008
Noncurrent assets			
1520	Buildings and improvements, net	13,627	-
	Total noncurrent assets	13,627	-
1000	Total assets	39,893	6,597,008
Liabilities			
Current liabilities			
2110	Accounts payable	21,845	134,996
2150	Payroll deductions and withholdings	1,368	-
2160	Accrued wages payable	2,521	-
2170	Due to other funds	36,047	-
2180	Due to other governments	-	-
2200	Accrued liabilities	-	2,929,206
2300	Unearned revenue	-	-
	Total current liabilities	61,781	3,064,202
2000	Total liabilities	61,781	3,064,202
Net Position			
3200	Investment in capital assets	13,627	-
3900	Unrestricted	(35,515)	3,532,806
3000	Total net position	\$ (21,888)	\$ 3,532,806

Midland Independent School District
Combining Statement of Net Position – Internal Service Funds (Exhibit I-1)
June 30, 2020

771 Employee Housing Fund	798 Employee Childcare Fund	Total Internal Service Funds
\$ 1,593,164	\$ 30,832	\$ 3,221,864
-	-	4,820,296
-	-	12,116
75,995	-	78,145
78,933	-	269,777
<u>1,748,092</u>	<u>30,832</u>	<u>8,402,198</u>
<u>4,372,246</u>	<u>-</u>	<u>4,385,873</u>
<u>4,372,246</u>	<u>-</u>	<u>4,385,873</u>
<u>6,120,338</u>	<u>30,832</u>	<u>12,788,071</u>
21,700	2,337	180,878
-	9,991	11,359
-	27,834	30,355
-	-	36,047
20,284	-	20,284
-	-	2,929,206
128,383	-	128,383
<u>170,367</u>	<u>40,162</u>	<u>3,336,512</u>
<u>170,367</u>	<u>40,162</u>	<u>3,336,512</u>
4,372,246	-	4,385,873
1,577,725	(9,330)	5,065,686
<u>\$ 5,949,971</u>	<u>\$ (9,330)</u>	<u>\$ 9,451,559</u>

<u>Data Control Codes</u>	<u>752 Print Shop Fund</u>	<u>753 Self Insurance Fund</u>	
Operating revenues			
5700	Local and intermediate revenues	\$ 118,851	\$ 20,182,106
5020	Total revenues	<u>118,851</u>	<u>20,182,106</u>
Operating expenses			
6100	Payroll costs	126,902	-
6200	Professional and contracted services	281,051	657,491
6300	Supplies and materials	39,051	-
6400	Other operating costs	2,251	20,573,011
6030	Total expenses	<u>449,255</u>	<u>21,230,502</u>
	Operating loss	<u>(330,404)</u>	<u>(1,048,396)</u>
Non-operating revenues			
5800	State program revenues	8,516	-
7955	Earnings from temp. deposits and investments	-	51,029
8030	Total non-operating revenues	<u>8,516</u>	<u>51,029</u>
Other financing sources (uses)			
7915	Transfers in	300,000	2,000,000
7080	Total other financing sources (uses)	<u>300,000</u>	<u>2,000,000</u>
1300	Change in net position	(21,888)	1,002,633
0100	Net position, beginning	-	2,530,173
3300	Net position, ending	<u>\$ (21,888)</u>	<u>\$ 3,532,806</u>

Midland Independent School District
Combining Statement of Revenues, Expenditures, and Changes in Net Position – Internal Service Funds
(Exhibit I-2)
Year Ended June 30, 2020

771 Employee Housing Fund	798 Employee Childcare Fund	Total Internal Service Funds
\$ 485,347	\$ 249,459	\$ 21,035,763
<u>485,347</u>	<u>249,459</u>	<u>21,035,763</u>
-	500,307	627,209
440,799	2,393	1,381,734
3,203	29,418	71,672
205,193	304	20,780,759
<u>649,195</u>	<u>532,422</u>	<u>22,861,374</u>
<u>(163,848)</u>	<u>(282,963)</u>	<u>(1,825,611)</u>
-	23,633	32,149
7,781	-	58,810
<u>7,781</u>	<u>23,633</u>	<u>90,959</u>
1,100,000	250,000	3,650,000
<u>1,100,000</u>	<u>250,000</u>	<u>3,650,000</u>
943,933	(9,330)	1,915,348
<u>5,006,038</u>	<u>-</u>	<u>7,536,211</u>
<u>\$ 5,949,971</u>	<u>\$ (9,330)</u>	<u>\$ 9,451,559</u>

	752 Print Shop Fund	753 Self Insurance Fund
Operating activities		
Cash received from quasi-external operating activities	\$ 116,701	\$ 20,182,106
Cash payments to suppliers for goods and benefits	(313,662)	(21,614,384)
Cash payments to employees	(123,013)	-
Net cash used for operating activities	<u>(319,974)</u>	<u>(1,432,278)</u>
Noncapital financing activities		
Transfers from other funds	327,336	1,998,351
State grants received	8,516	-
Net cash from noncapital financing activities	<u>335,852</u>	<u>1,998,351</u>
Capital financing activities		
Acquisition of capital assets	(15,878)	-
Net cash used for noncapital financing activities	<u>(15,878)</u>	<u>-</u>
Investing activities		
Interest and dividends received on investments	-	51,029
(Purchase) sale of investments	-	(1,550,997)
Net cash from investing activities	<u>-</u>	<u>(1,499,968)</u>
Net change in cash and cash equivalents	-	(933,895)
Cash and cash equivalents, beginning of year	-	2,531,763
Cash and cash equivalents, end of the year	<u>\$ -</u>	<u>\$ 1,597,868</u>
Reconciliation of operating loss to net cash used for operating activities		
Operating loss	\$ (330,404)	\$ (1,048,396)
Depreciation	2,251	-
Change in assets and liabilities		
(Increase) decrease in other receivables	(2,150)	-
(Increase) decrease in prepaid items	(15,405)	(155,995)
Increase (decrease) in accounts payable	21,845	(371,803)
Increase in accrued wages payable	2,521	
Increase in payroll deductions and withholdings	1,368	
Increase (decrease) in due to other governments	-	-
Increase (decrease) in unearned revenue	-	-
Decrease in payable from restricted assets	-	143,916
Net cash used for operating activities	<u>\$ (319,974)</u>	<u>\$ (1,432,278)</u>

Midland Independent School District
Combining Statement of Cash Flows – Internal Service Funds (Exhibit I-3)
Year Ended June 30, 2020

771 Employee Housing Fund	798 Employee Childcare Fund	Total Internal Service Funds
\$ 539,017	\$ 249,459	\$ 21,087,283
(563,195)	(29,778)	(22,521,019)
-	(462,482)	(585,495)
<u>(24,178)</u>	<u>(242,801)</u>	<u>(2,019,231)</u>
1,100,000	250,000	3,675,687
-	23,633	32,149
<u>1,100,000</u>	<u>273,633</u>	<u>3,707,836</u>
<u>(3,842,292)</u>	-	<u>(3,858,170)</u>
<u>(3,842,292)</u>	-	<u>(3,858,170)</u>
7,781	-	58,810
4,000,000	-	2,449,003
<u>4,007,781</u>	-	<u>2,507,813</u>
1,241,311	30,832	338,248
351,853	-	2,883,616
<u>\$ 1,593,164</u>	<u>\$ 30,832</u>	<u>\$ 3,221,864</u>
\$ (163,848)	\$ (282,963)	\$ (1,825,611)
104,239	-	106,490
(74,713)	-	(76,863)
(46,933)	-	(218,333)
8,410	2,337	(339,211)
	27,834	30,355
	9,991	11,359
20,284	-	20,284
128,383	-	128,383
	-	143,916
<u>\$ (24,178)</u>	<u>\$ (242,801)</u>	<u>\$ (2,019,231)</u>



Required TEA Schedules
June 30, 2020

Midland Independent School District

Year Ended June 30,	1	2	3
	Tax Rates		Assessed/Appraised Value For School Tax Purposes
	Maintenance	Debt Service	
2011 and prior years	\$ Various	\$ Various	\$ Various
2012	1.04005	0.1010	11,235,065,718
2013	1.04005	0.0900	14,698,146,126
2014	1.04005	0.1000	14,782,675,318
2015	1.04005	0.1000	19,292,108,478
2016	1.04005	0.1000	20,127,433,487
2017	1.04005	0.0800	18,996,101,877
2018	1.04005	0.0875	21,003,947,494
2019	1.04005	0.0800	25,295,797,904
2020 (school year under audit)	0.97005	0.0800	35,081,271,008
1000 Totals			

Midland Independent School District
Schedule of Delinquent Taxes Receivable (Exhibit J-1)
Year Ended June 30, 2020

10 Beginning Balance July 01, 2019	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance June 30, 2020
\$ 209,145	\$ -	\$ 12,218	\$ 1,179	\$ (876)	\$ 194,872
62,416	-	667	65	(280)	61,404
66,800	-	1,451	126	(346)	64,877
102,470	-	(235)	(23)	(7,129)	95,599
237,133	-	32,936	3,167	(19,325)	181,705
390,799	-	65,175	6,267	(29,094)	290,263
1,151,357	-	310,653	23,895	(35,785)	781,024
965,015	-	256,951	21,617	(178,363)	508,084
4,723,476	-	3,736,021	287,372	333,485	1,033,568
-	362,622,198	331,372,276	27,328,245	4,002,548	7,924,225
<u>\$ 7,908,611</u>	<u>\$ 362,622,198</u>	<u>\$ 335,788,113</u>	<u>\$ 27,671,910</u>	<u>\$ 4,064,835</u>	<u>\$ 11,135,621</u>

Midland Independent School District
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – National School
Breakfast and Lunch (Exhibit J-2)
Year Ended June 30, 2020

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
Revenues					
5700	Local and intermediate revenues	\$ 3,499,300	\$ 3,499,300	\$ 2,177,331	\$(1,321,969)
5800	State program revenues	58,500	58,500	83,305	24,805
5900	Federal program revenues	9,045,500	9,045,500	6,130,385	(2,915,115)
5020	Total revenues	12,603,300	12,603,300	8,391,021	(4,212,279)
Expenditures					
Current					
Support services - student (pupil)					
0035	Food service	12,603,300	13,003,300	8,889,589	4,113,711
	Total support services - student (pupil)	12,603,300	13,003,300	8,889,589	4,113,711
6030	Total expenditures	12,603,300	13,003,300	8,889,589	4,113,711
1100	(Deficiency) excess of revenues (under) over expenditures	-	(400,000)	(498,568)	(98,568)
Other financing sources (uses)					
7915	Transfers in	-	850,000	852,294	2,294
7080	Total other financing sources (uses)	-	850,000	852,294	2,294
1200	Net change in fund balance	-	450,000	353,726	(96,274)
0100	Fund balance, beginning	3,752,262	3,752,262	3,752,262	-
3000	Fund balance, ending	\$ 3,752,262	\$ 4,202,262	\$ 4,105,988	\$ (96,274)

Midland Independent School District
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund
(Exhibit J-3)
Year Ended June 30, 2020

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
Revenues					
5700	Local and intermediate revenues	\$25,868,885	\$27,784,314	\$28,073,968	\$ 289,654
5800	State program revenues	200,000	200,000	153,301	(46,699)
5020	Total revenues	<u>26,068,885</u>	<u>27,984,314</u>	<u>28,227,269</u>	<u>242,955</u>
Expenditures					
Debt service:					
0071	Principal on long-term debt	7,805,000	18,590,000	18,590,000	-
0072	Interest on long-term debt	8,865,901	8,865,901	8,865,900	1
0073	Issuance costs and fees	40,000	40,000	20,595	19,405
	Total debt service	<u>16,710,901</u>	<u>27,495,901</u>	<u>27,476,495</u>	<u>19,406</u>
6030	Total expenditures	<u>16,710,901</u>	<u>27,495,901</u>	<u>27,476,495</u>	<u>19,406</u>
1100	(Deficiency) excess of revenues (under) over expenditures	<u>9,357,984</u>	<u>488,413</u>	<u>750,774</u>	<u>262,361</u>
1200	Net change in fund balance	9,357,984	488,413	750,774	262,361
0100	Fund balance, beginning	<u>13,040,957</u>	<u>13,040,957</u>	<u>13,040,957</u>	-
3000	Fund balance, ending	<u>\$22,398,941</u>	<u>\$13,529,370</u>	<u>\$13,791,731</u>	<u>\$ 262,361</u>



Federal Awards Section
Year Ended June 30, 2020

Midland Independent School District



Independent Auditor's 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 of
Midland Independent School District
Midland, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Midland Independent School District (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 14, 2020.

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) as a basis for designing 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 entity'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 financial statements. 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned to the left of the typed text below it.

Abilene, Texas
December 14, 2020



Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance Required by the Uniform Guidance

The Board of Trustees of
Midland Independent School District
Midland, Texas

Report on Compliance for Each Major Federal Program

We have audited Midland Independent School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2020. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for each of the 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 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 the 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 the major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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 program for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the 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 the 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 a 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.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Abilene, Texas
December 14, 2020

Midland Independent School District
Schedule of Expenditures of Federal Awards (Exhibit K-1)
Year Ended June 30, 2020

Fund Number	Federal Granter/ Pass Through Granter Program or Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture				
Passed - Through Texas Department of Agriculture				
Child Nutrition Cluster				
240	National School Breakfast Program	10.553	71401901	\$ 1,932,821
240	National School Lunch Program - Cash Assistance*	10.555	71301901	3,983,100
240	National School Lunch Program - Noncash Assistance*	10.555	71301801	506,131
242	Summer Food Service Program for Children - Cash Assistance	10.559	81085391	470,746
	COVID-19 Summer Food Service Program			
	for Children - Cash Assistance	10.559		1,594,716
242	Summer Food Service Program for Children - Noncash Assistance	10.559		<u>20,661</u>
	 Total Child Nutrition Cluster			 <u>8,508,175</u>
	 Total U.S. Department of Agriculture			 <u>8,508,175</u>
U.S. Department of Education				
Passed - Through Texas Education Agency				
Title I Grants to Local Education Agencies				
211	Title I. Part A - Improving Basic Programs	84.010A	19610101165901	135,855
211	Title I. Part A - Improving Basic Programs	84.010A	20610101165901	3,503,456
288	Title I, Transformation Zone	84.010A	196101217110004	2,357,346
288	Title I, School Transformation	84.010A	206101487110010	492,874
288	Title I, School Transformation	84.010A	196101477110023	25,513
288	Title I, School Transformation	84.010A	196101477110024	21,744
296	Title I, 1003(A). Priority and Focus School Grant	84.010A	19610123165901	50,772
296	Title I, 1003(A). Priority and Focus School Grant	84.010A	20610123165901	<u>546,240</u>
	 Total Title I Grants to Local Educational Agencies (CFDA 84.010A)			 <u>7,133,800</u>
Title IV Grants to Local Educational Agencies				
287	Title IV, Part A, Subpart 1	84.424A	19680101165901	2,046
287	Title IV, Part A, Subpart 1	84.424A	20680101165901	<u>308,563</u>
	 Total Title IV Grants to Local Educational Agencies (CFDA 84.424A)			 <u>310,609</u>
Special Education Cluster (IDEA)				
224	Special Education Grants to States**	84.027A	196600011659016600	71,950
224	Special Education Grants to States**	84.027A	206600011659016600	3,329,953
225	Special Education Preschool Grants***	84.173A	196610011659016000	24
225	Special Education Preschool Grants***	84.173A	206610011659016000	<u>39,214</u>
	 Total Special Education Cluster (IDEA)			 <u>3,441,141</u>

Midland Independent School District
Schedule of Expenditures of Federal Awards (Exhibit K-1)
Year Ended June 30, 2020

	English Language Acquisition State Grants			
263	Title III, Part A - LEP	84.365A	19671001165901	<u>455,197</u>
244	Career and Technical Education -- Basic Grants to States	84.048A	19420006165901	1,024
244	Career and Technical Education -- Basic Grants to States	84.048A	20420006165901	<u>296,269</u>
	Total Career and Technical Education - Basic Grants to States (CFDA 84.048A)			<u>297,293</u>
	Supporting Effective Instruction State Grants (formerly			
255	Improving Teacher Quality State Grants)	84.367A	19694501165901	11,210
255	Improving Teacher Quality State Grants)	84.367A	20694501165901	<u>768,713</u>
	Total Supporting Effective Instruction State Grants (CFDA 84.367A)			<u>779,923</u>
258	Public Charter Schools	84.282	185901057110011	645,793
289	Grants for State Assessments and Related Activities	84.369A	69551902	<u>13,357</u>
	Total U.S. Department of Education			<u>13,077,113</u>
	U.S. Department of Health and Human Services			
	Passed - Through Texas Health and Human Services Commission			
272	Medical Assistance Program (Medicaid cluster)	93.778	529-07-0157-00087	<u>31,570</u>
	Total Medicaid Cluster			<u>31,570</u>
	Total U.S. Department of Health and Human Services			<u>31,570</u>
	Total Expenditures of Federal Awards			<u><u>\$ 21,616,858</u></u>
	* Total National School Lunch Program (CFDA 10.555)			\$ 4,489,231
	** Total Special Education Grants to States (CFDA 84.027A)			3,401,903
	*** Total Special Education Preschool Grants to States (CFDA 84.173A)			39,238

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2020. The information is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

Note 2 - Summary of Significant Accounting Policies

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 expenditures were accounted for in the General Fund and Special Revenue Funds, components of the Governmental Fund type. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Federal grants are considered to be earned to the extent of expenditures made under the provisions of the grant.

School health and related services revenues are considered earned income at the local government level and thus are not included in the Schedule of Expenditures of Federal Awards. The following is a reconciliation of Federal Revenues on Exhibit C-2 to the Schedule of Expenditures of Federal Awards:

Total expenditures of federal awards per Exhibit K-1	\$	21,616,858
General fund - federal revenue		
School Health and Related Services (SHARS)		1,264,171
Air Force JROTC		59,677
E-rate		418,931
Total federal revenues per Exhibit C-2	\$	23,359,637

Note 3 - Indirect Cost Rate

The District is not eligible to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance because the District has previously received a negotiated indirect cost rate for its federal awards.

Note 4 - Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2020, the District had food commodities totaling \$843,473 in inventory.

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

Identification of major programs:

Name of Federal Program	CFDA Number
Special Education Grants to States	84.027A; 84.173A
Title III, Part A - LEP	84.365A
Supporting Effective Instruction State Grants	84.367A
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

The audit disclosed no findings required to be reported.

Section III – Federal Award Findings and Questioned Costs

The audit disclosed no findings and questioned costs required to be reported.

Midland Independent School District
 Schedule of Required Responses to Selected School First Indicators (Exhibit L-1)
 Year Ended June 30, 2020

<u>Data Control Codes</u>		<u>Responses</u>
SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF3	Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end	\$ 846,293