



Financial Statements
June 30, 2019

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, 2019 at a meeting of the Board of Trustees of such school district on the 22nd day of October 2019.

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 units, 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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing 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 units, each major fund, and the aggregate remaining fund information of the District as of June 30, 2019, 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 60 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 October 22, 2019 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.

Eide Bailly LLP

Abilene, Texas
October 22, 2019

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 twelve-month period ended June 30, 2019. Readers are encouraged to consider the information presented here in conjunction with the District’s financial statements, which follow this analysis.

FINANCIAL HIGHLIGHTS

- At the close of the twelve-month period ended June 30, 2019, the District’s assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources. Net position was \$61.1 million. Net investments in capital assets was \$82 million.
- The government-wide statements reported total revenues of \$350 million which exceeded total expenses of \$312 million and resulted in a net increase of net position of \$38 million.
- The governmental funds financial statements reported combined ending fund balance of \$130.2 million for the twelve-month period ending June 30, 2019, an increase of \$34.7 million in comparison with the prior ten-month period. This balance consists of \$99.9 million in the General Fund which is unassigned and available for spending at the District’s discretion. Restricted fund balance totals \$16.3 million and is included in the Debt Service Fund, National School Breakfast and Lunch Program, and Non-Major Funds. Committed fund balance is \$12 million and consists of amounts held in local construction funds and campus activity funds. Non-spendable fund balance is \$2 million.
- The General Fund had \$298 million in revenues, which primarily consisted of local property taxes and state aid, and \$261 million in expenditures, and transfers to other funds of \$16.7 million, which resulted in an increase in fund balance by \$20.7 million for the twelve-month period ended June 30, 2019.
- As of June 30, 2019 the District had a total of \$3 million as part of their construction in progress projects.

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
Scope	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
Required Financial Statements	<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
Accounting Basis and Measurement Focus	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
Type of Asset/Liability Information	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
Type of Inflow/Outflow Information	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**—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. During fiscal year 2019, the District entered into six partnership agreements under Senate Bill 1882. These partnerships had no activity during the June 30, 2019 fiscal year.

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, National School Breakfast and Lunch Program, and the Debt Service Fund, all of which are considered to be major funds. Data from the other governmental funds, including the 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 Self-insurance program and Employee Housing fund.

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 \$38.2 million from the previous year as can be seen on the following table.

Midland Independent School District's Net Position

	Governmental Activities					
	2019		2018		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Current and other assets	\$ 183,625,409	38	\$ 125,816,998	29	\$ 57,808,411	46
Capital assets, net of accumulated depreciation	<u>301,368,121</u>	<u>62</u>	<u>305,072,608</u>	<u>71</u>	<u>(3,704,487)</u>	<u>(1)</u>
Total assets	484,993,530	100	430,889,606	100	54,103,924	13
Total deferred outflows of resources	48,051,792	100	20,522,734	100	27,529,058	134
Other liabilities	47,349,794	11	30,834,657	8	16,515,137	54
Long-term liabilities outstanding	<u>385,863,654</u>	<u>89</u>	<u>352,785,900</u>	<u>92</u>	<u>33,077,754</u>	<u>9</u>
Total liabilities	433,213,448	100	383,620,557	100	49,592,891	13
Total deferred inflows of resources	38,693,743	100	44,884,338	100	(6,190,595)	(14)
Net position:						
Net investment in capital assets	82,482,099	135	78,043,129	95	4,438,970	6
Restricted	13,226,650	22	12,301,504	6	925,146	8
Unrestricted	<u>(34,570,618)</u>	<u>(57)</u>	<u>(67,437,188)</u>	<u>(2)</u>	<u>32,866,570</u>	<u>(49)</u>
Total net position	<u><u>61,138,131</u></u>	<u><u>100</u></u>	<u><u>22,907,445</u></u>	<u><u>100</u></u>	<u><u>38,230,686</u></u>	<u><u>167</u></u>

The District's capital assets, which consist of the District's land, buildings, building improvements, vehicles, and equipment, represent about 62 percent of total assets. The remaining assets consist mainly of investments, cash, grants, property taxes receivable and prepaid assets.

The District's long-term liabilities include repayment of general obligation bonds (51 percent) and net pension and OPEB liability (38 percent). Other liabilities consist almost entirely of payables on accounts and salaries and benefits (11 percent).

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:

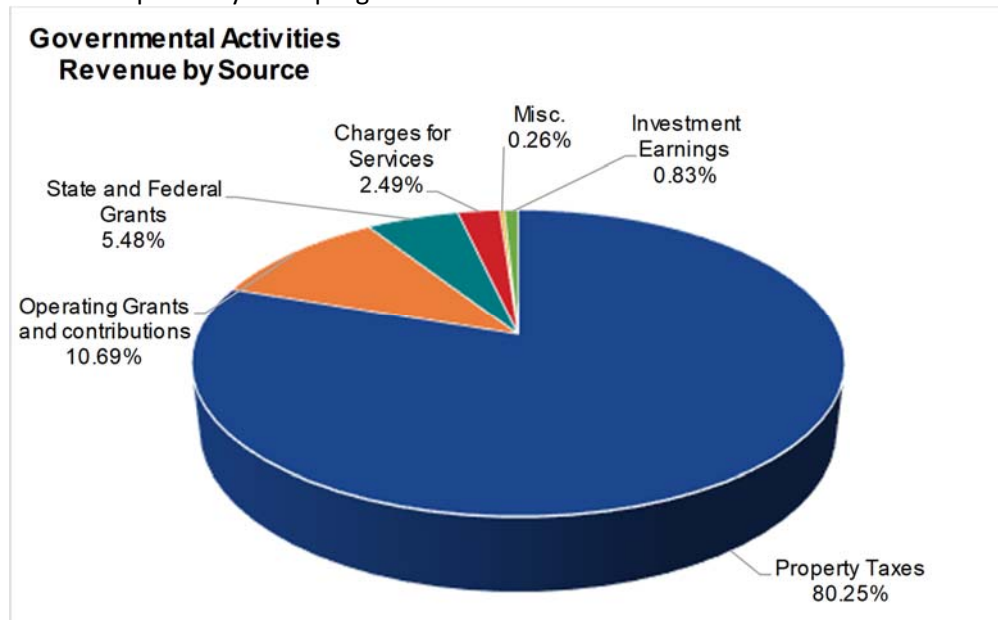
- There was an increase in the property tax base which resulted in additional property tax revenues of approximately \$40 million during the current fiscal period. Investments also had a higher ending balance than prior year. In addition, the rise of property values resulted in an increase in current liabilities related to Chapter 41 recapture payable to the State.
- Significant capital asset acquisitions were conducted during the fiscal year. However, depreciation was recorded, resulting in a decrease in net capital assets.

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 \$30 million while total expenses increased by \$73 million which resulted in a net increase of net position of \$38 million.

Revenues

The District's total revenues were \$350 million, representing an increase of \$30 million from the previous ten-month period. The majority of this increase is due to a 17 percent increase in the District's assessed valuations which resulted in a \$42 million increase in tax revenues from prior year. State aid increased by \$7.8 million partly due to an increase in the State's per capita rate. As seen below, approximately 80 percent of the District's revenue comes from taxes while the remaining 20 percent comes primarily from program revenue and state and federal sources.

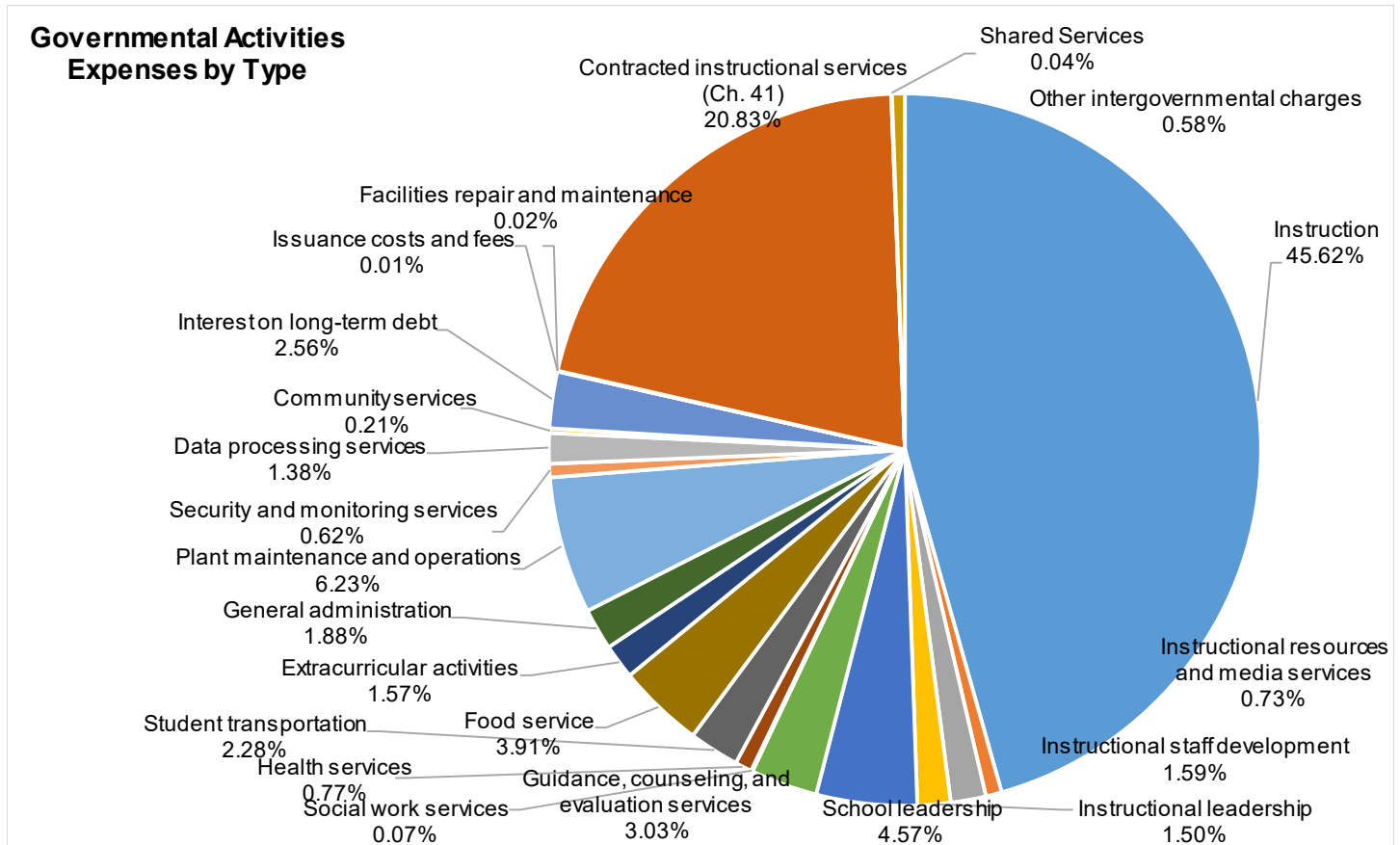


Expenses

The District's total expenses were \$312 million, representing an increase of \$73 million from the previous ten-month period. The majority of this increase is due to rising property values from the prior year (fiscal year ending June 30, 2018) and its effect on the District's current year Chapter 41 ("Contracted instructional services") recapture payment - an increase of \$26.8 million. Additionally, due to the change in fiscal years in the prior year, the shortened ten-month fiscal period only included ten months of expenses while current year has twelve months.

The District's primary functional expenses are:

- Instruction - \$142 million, or 45.6 percent of total expenses
- Chapter 41 ("Contracted instructional service") - \$65 million, or 20.8 percent
- Plant maintenance and operations - \$19 million, or 6.2 percent



Midland Independent School District

Management's Discussion and Analysis

June 30, 2019

In total, governmental activities increased the District's net position by \$38 million dollars. Key elements of this change are as follows:

Midland Independent School District's Net Position

	Governmental Activities					
	2019		2018		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Revenue:						
Program revenues:						
Charges for services	\$ 8,728,914	2	\$ 6,474,421	2	\$ 2,254,493	35
Operating grants and contributions	37,205,800	11	57,594,328	18	(20,388,528)	-35
Capital grants and contributions	231,269	-	-	-	231,269	-
General revenues:						
Property taxes, levied for general purpose	261,042,434	75	220,762,931	69	40,279,503	18
Property taxes, levied for debt service	20,086,115	6	18,617,214	6	1,468,901	8
State Aid - Formula Grants	18,416,261	5	11,349,415	4	7,066,846	62
Grants and contributions not restricted						
to specific programs	795,233	-	670,894	-	124,339	19
Investment earnings	2,919,486	-	1,239,892	-	1,679,594	135
Miscellaneous	902,609	-	3,802,879	1	(2,900,270)	-76
Total revenues	350,328,121	100	320,511,974	100	29,816,147	9
Expenses:						
Instruction	142,365,350	46	117,835,802	49	24,529,548	21
Instructional resources and media services	2,282,284	1	2,153,150	1	129,134	6
Curriculum and instructional staff development	4,969,528	2	3,247,982	1	1,721,546	53
Instructional leadership	4,696,852	2	3,045,218	1	1,651,634	54
School leadership	14,252,358	5	12,554,028	5	1,698,330	14
Guidance, counseling, and evaluation services	9,453,288	3	6,300,169	3	3,153,119	50
Social work services	223,832	-	(6,185)	-	230,017	-3719
Health services	2,399,318	-	2,130,803	1	268,515	-
Student transportation	7,114,644	2	6,149,964	3	964,680	16
Food service	12,192,613	4	9,025,879	4	3,166,734	35
Extracurricular activities	4,902,670	2	4,131,906	2	770,764	19
General administration	5,873,147	2	4,663,275	2	1,209,872	26
Plant maintenance and operations	19,447,948	6	17,502,720	7	1,945,228	11
Security and monitoring services	1,921,626	-	1,290,287	-	631,339	49
Data processing services	4,305,380	1	4,543,498	2	(238,118)	-5
Community services	664,084	-	397,870	-	266,214	67
Interest on long-term debt	7,993,936	3	3,866,791	2	4,127,145	107
Issuance costs and fees	36,438	-	527,320	-	(490,882)	-93
Facilities repair and maintenance	68,114	-	1,393	-	66,721	4790
Contracted instructional services						
between schools	65,012,042	21	38,120,581	16	26,891,461	71
Payments related to shared services arrangement	109,431	-	153,947	-	(44,516)	-29
Payments to juvenile justice alternative education programs	-	-	-	-	-	-
Other intergovernmental charges	1,812,552	-	1,396,826	1	415,726	30
Total expenses	312,097,435	100	239,033,224	100	73,064,211	31
Increase in net position before transfers	38,230,686		81,478,750		(43,248,064)	
Transfers	-		-		-	
Change in net position	38,230,686		81,478,750		(43,248,064)	
Net position - beginning	22,907,445		77,468,669		(54,561,224)	
Prior Period Adjustment	-		(136,039,974)		136,039,974	
Net position - ending	\$ 61,138,131		\$ 22,907,445		\$ 38,230,686	

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 \$130 million, an increase of \$34.7 million in comparison with the prior year. Approximately 77 percent of this total amount (\$99.9 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 (\$1.1 million), 2) to purchase services for the next fiscal period (\$857,285), 3) restricted to pay debt service (\$13 million) or 4) for a variety of other restricted purposes (\$3.2 million). The District's committed fund balance consists of local capital construction funds (\$10,808,871) and campus activity funds (\$1,225,178) Assignments reflect the District's self-imposed limitation on the use of otherwise available expendable financial resources in governmental funds.

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 \$99.9 million, while total fund balance reached \$101 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 38 percent of total General Fund expenditures, while total fund balance represents 39 percent of that same amount.

The fund balance of the District's General Fund increased by \$20.7 million during the current fiscal year. Key factors in this growth are as follows:

- Revenues totaled \$298 million which is a 20 percent increase from previous year. A 17 percent increase in appraised property values increased property tax revenues by \$42 million.
- Expenditures totaled \$261 million which is a 24 percent increase from previous year. This includes a 70 percent increase in current year Chapter 41 recapture payment due to rising property values from the prior year. In addition, operating expenditures, for items such as utilities and insurance, are reported for a twelve-month period compared to prior year's ten-month period due to the change in fiscal year.

Debt Service Fund. The Debt Service Fund has a total fund balance of \$13 million, all of which is reserved for the payment of debt service. The net increase in fund balance was \$3.8 million. The District enacted a \$.0075, or 9 percent, property tax decrease for debt service at the beginning of the year. This tax rate decrease was offset by the 17 percent increase in appraised property values which increased property tax revenues by \$1.7 million.

Expenditures increased 32% over the prior year as a result of the timing of prior year's interest payments due. Prior year reported one debt service payment compared to current year's two debt service payments because of the shortened ten-month period.

National School Breakfast/Lunch Program Fund. The National School Breakfast/Lunch Program fund has a total fund balance of \$3.7 million. The net increase in fund balance during the current year in the Child Nutrition Fund was \$147,362.

Local Capital Projects Fund. During the fiscal year, the District created a local capital projects fund for facility and infrastructure improvements across the district's campuses. The capital projects fund has a total fund balance of \$10,808,871, 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 \$16.9 million from the original budget; \$7.8 million of the increase was in the District's Chapter 41 recapture payment. The original budget was adopted in June based on estimated property values and estimated enrollment numbers which affect the Chapter 41 calculation. The final amendment was based on estimated expenditures.
- ***Variances of amended budget to actual expenditures.***
Expenditures were \$8.2 million less than final budgeted amounts. This was primarily due to vacancies not being fulfilled due to a competitive job market in the area.
- ***Variances of original revenue budget compared to actual revenue***
Local property tax revenues, which is approximately 87 percent of total revenue, increased in the General Fund \$33 million from the original revenue budget. The original revenue budget was adopted in June based on an estimated 12.5% increase in property values. However, the certified tax roll in October came in at 17.8% increase in property values over prior year. In addition, collection rate on current year levy was at 99.2% compared to the District's average historical collection rate of 98.5%.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2019, the District had invested \$301 million in a broad range of capital assets, including land, buildings, and equipment. This amount represents a net decrease of \$3.7 million or 1 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 eleven vehicles, 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					
	2019		2018		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Land and improvements	\$ 9,411,119	3	\$ 8,985,930	3	\$ 425,189	-
Buildings and improvements	283,402,339	94	292,640,762	96	\$ (9,238,423)	-3
Furniture and equipment	5,530,787	2	3,445,916	1	\$ 2,084,871	61
Construction in progress	3,023,876	1	-	0	\$ 3,023,876	1
Totals	\$ 301,368,121	100	\$ 305,072,608	100	\$ (3,704,487)	-1

Long-Term Debt

At the end of 2019, the District had \$385.8 million in long-term liabilities which include general obligation bonds, net pension liability, and net OPEB liability. The District's long-term liabilities increased by \$33 million. Additional information on the District's long-term debt can be found in Note 9 of this report.

Midland Independent School District's Long-term Liabilities Outstanding

	Governmental Activities					
	2019		2018		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
General obligation bonds (net)	\$ 220,904,958	57	\$ 229,870,853	65	\$ (8,965,895)	-4
Accretion on CAB, Series 2017	507,776	-	169,259	-	338,517	200
Net pension liability	74,470,954	19	44,815,570	13	29,655,384	66
Net OPEB liability	89,979,966	23	77,930,218	22	\$ 12,049,748	100
Totals	\$ 385,863,654	100	\$ 352,785,900	100	\$ 33,077,754	9

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

House Bill 3 (HB 3) was passed by the 86th Texas Legislature and signed by the governor in 2019. The bill made significant changes to the state's funding formula, calculation of recapture, and local property taxes. As a result of HB 3, the District's Maintenance and Operations (M&O) tax rate decreased to \$0.97005 per \$100 valuation for the 2019-20 year. The Interest and Sinking (I&S) tax rate remained at \$0.08 per \$100 valuation for the 2019-20 year. The District's 19-20 budget included an estimated 1.4% student enrollment growth.

The local economy continues to be strong. The 2019-20 appraised property values increased by approximately 40% and General Fund property tax revenues are budgeted to increase by \$73 million over prior year actual revenues. General Fund expenditures are budgeted to increase by \$99 million over prior year actual expenditures. The state designates the District as having excess local revenue (Chapter 49 recapture) which is budgeted to increase by \$67.7 million, or 104%, over prior year.

Major expenditure changes include Chapter 49 recapture, an increase of minimum teacher pay to \$53,500, an increase of minimum support staff pay to \$10 per hour, and a two to five percent salary increase for administrative and support staff.

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 Government <u>Governmental Activities</u>	Component Unit <u>Midland I.S.D. Education Foundation</u>
Assets			
1110	Cash and cash equivalents	\$ 18,884,711	\$ 3,634,633
1120	Investments - current	148,383,745	-
1220	Property taxes receivable (delinquent)	7,908,611	-
1230	Allowance for uncollectible taxes	(3,207,695)	-
1240	Due from other governments	9,366,297	-
1290	Other receivables	272,053	-
1300	Inventories at cost	1,089,035	-
1410	Prepayments	928,652	-
Capital assets			
1510	Land	9,411,119	-
1520	Buildings, net	283,402,339	-
1530	Furniture and equipment, net	5,530,787	-
1580	Construction in progress	3,023,876	-
1000	Total assets	<u>484,993,530</u>	<u>3,634,633</u>
Deferred outflows of resources			
1705	Deferred outflows - pension	36,159,533	-
1706	Deferred outflows - OPEB	7,781,982	-
1710	Deferred charge on refunding	4,110,277	-
1700	Total deferred outflows of resources	<u>48,051,792</u>	<u>-</u>
Liabilities			
2110	Accounts payable	3,143,369	-
2140	Interest payable	3,306,344	-
2150	Payroll deductions and withholdings	2,597,392	-
2160	Accrued wages payable	10,190,918	-
2180	Due to other governments	20,106,593	-
2200	Accrued liabilities	2,785,290	-
2300	Unearned revenue	5,219,888	-
Noncurrent liabilities			
2501	Due within one year	9,255,557	-
2502	Due in more than one year	191,443,215	-
2516	Premium on issuance of bonds	20,713,962	-
2540	Net pension liabilities	74,470,954	-
2545	Net OPEB liabilities	89,979,966	-
2000	Total liabilities	<u>433,213,448</u>	<u>-</u>

See Notes to Financial Statements

Midland Independent School District
Statement of Net Position (Exhibit A-1)
June 30, 2019

<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	8,148,569	-
2606	28,453,833	-
2610	2,091,341	-
2600	<u>38,693,743</u>	<u>-</u>
Net Position		
3200	82,482,099	-
3820	3,271,690	-
3850	9,954,960	-
3890	-	3,634,633
3900	<u>(34,570,618)</u>	<u>-</u>
3000	<u>\$ 61,138,131</u>	<u>\$ 3,634,633</u>

Data Control Codes	Functions/Programs	Expenses
	Primary government	
	Governmental activities	
11	Instruction	\$ 142,365,350
12	Instructional resources and media services	2,282,284
13	Curriculum and instructional staff development	4,969,528
21	Instructional leadership	4,696,852
23	School leadership	14,252,358
31	Guidance, counseling, and evaluation services	9,453,288
32	Social work services	223,832
33	Health services	2,399,318
34	Student transportation	7,114,644
35	Food service	12,192,613
36	Extracurricular activities	4,902,670
41	General administration	5,873,147
51	Plant maintenance and operations	19,447,948
52	Security and monitoring services	1,921,626
53	Data processing services	4,305,380
61	Community services	664,084
72	Interest on long-term debt	7,993,936
73	Issuance costs and fees	36,438
81	Facilities repair and maintenance	68,114
91	Contracted instructional services between schools	65,012,042
93	Payments related to shared services arrangement	109,431
99	Other intergovernmental charges	1,812,552
TG	Total governmental activities	<u>312,097,435</u>
TP	Total primary government	<u>\$ 312,097,435</u>
IC	Component unit	<u>\$ 1,928,123</u>

Midland Independent School District
Statement of Activities (Exhibit B-1)
Year Ended June 30, 2019

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
\$ 4,555,712	\$ 17,930,923	\$ -	\$ (119,878,715)	
-	213,230	-	(2,069,054)	
-	1,596,256	-	(3,373,272)	
-	1,543,952	-	(3,152,900)	
-	1,770,529	-	(12,481,829)	
-	2,200,609	-	(7,252,679)	
-	20,029	-	(203,803)	
-	230,395	-	(2,168,923)	
-	496,850	231,269	(6,386,525)	
3,292,372	8,616,742	-	(283,499)	
813,031	338,560	-	(3,751,079)	
-	348,881	-	(5,524,266)	
67,799	1,017,439	-	(18,362,710)	
-	152,461	-	(1,769,165)	
-	306,141	-	(3,999,239)	
-	117,388	-	(546,696)	
-	213,946	-	(7,779,990)	
-	-	-	(36,438)	
-	1,433	-	(66,681)	
-	87,365	-	(64,924,677)	
-	153	-	(109,278)	
-	2,518	-	(1,810,034)	
<u>8,728,914</u>	<u>37,205,800</u>	<u>231,269</u>	<u>(265,931,452)</u>	
<u>\$ 8,728,914</u>	<u>\$ 37,205,800</u>	<u>\$ 231,269</u>	<u>\$ (265,931,452)</u>	
<u>\$ -</u>	<u>\$ 1,494,314</u>	<u>\$ -</u>		\$ (433,809)
General revenues:				
Taxes:				
MT	Property taxes, levied for general purposes		261,042,434	-
DT	Property taxes, levied for debt services		20,086,115	-
SF	State aid - Formula grants		18,416,261	-
GC	Grants and contributions not restricted to specific programs		795,233	-
IE	Investment earnings		2,919,486	8,745
MI	Miscellaneous		902,609	353,905
TR	Total general revenues		<u>304,162,138</u>	<u>362,650</u>
CN	Change in net position		38,230,686	(71,159)
NB	Net position - beginning		<u>22,907,445</u>	<u>3,705,792</u>
NE	Net position - ending		<u>\$ 61,138,131</u>	<u>\$ 3,634,633</u>

Data Control Codes		199 General Fund	240 National School Breakfast/Lunch Program	599 Debt Service Fund
	Assets			
1110	Cash and cash equivalents	\$ 11,769,198	\$ 594,437	10,175
1120	Current investments	110,964,710	2,728,145	12,855,329
1220	Property taxes - delinquent	7,319,839	-	588,772
1230	Allowance for uncollectable taxes	(2,965,761)	-	(241,934)
1240	Due from other governments	5,862,361	-	63,626
1260	Due from other funds	9,356,334	62	-
1290	Other receivables	216,037	7,474	-
1300	Inventories	402,107	686,928	-
1410	Prepayments	857,285	-	-
1000	Total assets	143,782,110	4,017,046	13,275,968
1000a	Total assets and deferred outflows of resources	\$ 143,782,110	\$ 4,017,046	\$ 13,275,968
	Liabilities			
2110	Accounts payable	\$ 2,251,883	\$ 6,353	\$ -
2150	Payroll deductions and withholdings	2,489,663	2,232	-
2160	Accrued wages payable	9,677,105	1,578	-
2170	Due to other funds	5,704,430	254,621	-
2180	Due to other governments	20,070,388	-	14,664
2300	Unearned revenue	162,671	-	-
2000	Total liabilities	40,356,140	264,784	14,664
	Deferred inflows of resources			
2600	Unavailable revenue - property taxes	2,227,192	-	220,347
	Total deferred inflows of resources	2,227,192	-	220,347
	Fund balances			
3410	Nonspendable - inventories	402,107	686,928	-
3430	Nonspendable - prepaid items	857,285	-	-
3450	Restricted - grants	-	3,065,334	-
3480	Restricted - debt service	-	-	13,040,957
3510	Committed - construction	-	-	-
3545	Committed - other	-	-	-
3600	Unassigned	99,939,386	-	-
3000	Total fund balances	101,198,778	3,752,262	13,040,957
4000	Total liabilities, deferred inflows of resources, and fund balances	\$ 143,782,110	\$ 4,017,046	\$ 13,275,968

See Notes to Financial Statements

Midland Independent School District
Balance Sheet – Governmental Funds (Exhibit C-1)
June 30, 2019

Total Nonmajor Funds	98 Total Governmental Funds
\$ 3,627,285	\$ 16,001,095
14,566,262	141,114,446
-	7,908,611
-	(3,207,695)
3,440,310	9,366,297
16,333	9,372,729
47,260	270,771
-	1,089,035
19,923	877,208
21,717,373	182,792,497
\$ 21,717,373	\$ 182,792,497
\$ 365,044	\$ 2,623,280
105,497	2,597,392
512,235	10,190,918
3,415,434	9,374,485
21,541	20,106,593
5,057,217	5,219,888
9,476,968	50,112,556
-	2,447,539
-	2,447,539
19,923	1,108,958
-	857,285
206,356	3,271,690
-	13,040,957
10,808,871	10,808,871
1,225,178	1,225,178
(19,923)	99,919,463
12,240,405	130,232,402
\$ 21,717,373	\$ 182,792,497

Midland Independent School District

Reconciliation to the Governmental Funds Balance Sheet to the Statement of Net Position (Exhibit C-1r) June 30, 2019

Total Fund Balances - Governmental Funds (Exhibit C-1)		\$ 130,232,402
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.		7,536,211
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.		300,733,928
Some liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	(200,190,996)	
Deferred charge on refunding	4,110,277	
Deferred gain on refunding	(2,091,341)	
Unamortized premiums on bonds payable	(20,713,962)	
Accumulated accretion on capital appreciation bonds	<u>(507,776)</u>	(219,393,798)
Accrued interest is not due and payable in the current period and therefore is not reported as a liability in the governmental funds.		(3,306,344)
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		2,447,539
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	(74,470,954)	
Deferred outflows of resources - TRS pension	36,159,533	
Deferred inflows of resources - TRS pension	(8,148,569)	
Net OPEB liability	(89,979,966)	
Deferred outflows of resources - TRS-Care OPEB	7,781,982	
Deferred inflows of resources - TRS-Care OPEB	<u>(28,453,833)</u>	<u>(157,111,807)</u>
Total Net Position - Governmental Activities (Exhibit A-1)		<u>\$ 61,138,131</u>

Data Control Codes		General Fund
	Revenues	
5700	Local and intermediate revenues	\$ 266,211,334
5800	State program revenues	27,782,859
5900	Federal program revenues	4,093,463
5020	Total revenues	<u>298,087,656</u>
	Expenditures	
	Current	
0011	Instruction	116,764,444
0012	Instructional resources and media services	2,112,941
0013	Curriculum and instructional staff development	3,489,597
0021	Instructional leadership	3,199,226
0023	School leadership	12,886,235
0031	Guidance, counseling, and evaluation services	7,423,887
0032	Social work services	210,791
0033	Health services	2,190,830
0034	Student transportation	8,624,391
0035	Food service	22,573
0036	Extracurricular activities	4,575,770
0041	General administration	5,641,768
0051	Plant maintenance and operations	18,687,117
0052	Security and monitoring services	1,707,741
0053	Data processing services	4,272,821
0061	Community services	462,568
	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	1,537,831
	Intergovernmental	
0091	Contracted instructional services between schools	64,924,677
0093	Payments related to shared service arrangements	109,278
0099	Other intergovernmental charges	1,810,034
6030	Total expenditures	<u>260,654,520</u>
1100	Excess (deficiency) of revenues over (under) expenditures	<u>37,433,136</u>
	Other financing sources (uses)	
7915	Transfers in	-
8911	Transfers out	(16,700,000)
7080	Total other financing sources (uses)	<u>(16,700,000)</u>
1200	Net change in fund balances	20,733,136
0100	Fund balances, beginning	<u>80,465,642</u>
3000	Fund balances, ending	<u>\$ 101,198,778</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, 2019

240 National School Breakfast/Lunch Program	599 Debt Service Fund	Total Nonmajor Funds	98 Total Governmental Funds
\$ 3,342,038	\$ 20,374,062	\$ 1,058,964	\$ 290,986,398
58,310	213,946	244,500	28,299,615
8,503,554	-	11,586,786	24,183,803
<u>11,903,902</u>	<u>20,588,008</u>	<u>12,890,250</u>	<u>343,469,816</u>
-	-	7,499,707	124,264,151
-	-	57,188	2,170,129
-	-	1,304,343	4,793,940
-	-	1,274,634	4,473,860
-	-	588,203	13,474,438
-	-	1,512,454	8,936,341
-	-	-	210,791
-	-	62,745	2,253,575
-	-	21,053	8,645,444
11,756,540	-	63,898	11,843,011
-	-	105,868	4,681,638
-	-	4,044	5,645,812
-	-	863,324	19,550,441
-	-	48,493	1,756,234
-	-	29,443	4,302,264
-	-	163,346	625,914
-	7,510,000	-	7,510,000
-	9,169,600	-	9,169,600
-	36,438	-	36,438
-	-	1,987,364	3,525,195
-	-	-	64,924,677
-	-	-	109,278
-	-	-	1,810,034
<u>11,756,540</u>	<u>16,716,038</u>	<u>15,586,107</u>	<u>304,713,205</u>
<u>147,362</u>	<u>3,871,970</u>	<u>(2,695,857)</u>	<u>38,756,611</u>
-	-	12,700,000	12,700,000
-	-	-	(16,700,000)
-	-	12,700,000	(4,000,000)
147,362	3,871,970	10,004,143	34,756,611
3,604,900	9,168,987	2,236,262	95,475,791
<u>\$ 3,752,262</u>	<u>\$ 13,040,957</u>	<u>\$ 12,240,405</u>	<u>\$ 130,232,402</u>

See Notes to Financial Statements

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, 2019

Total Net Changes in Fund Balances - Governmental Funds (Exhibit C-2)	\$ 34,756,611
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.	6,998,897
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 2019 capital outlays of \$7,345,272, donated capital assets of \$231,269, debt principal payments of \$7,510,000, and amortization of deferred charges on refunding of \$55,150 is to increase net position.	14,692,874
2019 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.	(11,252,201)
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 \$2,447,539 as revenue and removing the prior year's tax collection of \$3,052,036.	(604,497)
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 \$113,436. The net effect is to increase net position.	113,436
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.	1,455,895
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 decrease in the amount of \$1,994,543. 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 \$4,967,213. The net effect is a decrease in net position.	(6,961,756)
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 \$109,549. 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 \$1,078,122. The net effect is an decrease in net position.	(968,573)
Change in Net Position for Governmental Activities (Exhibit B-1)	\$ 38,230,686

Midland Independent School District
Statement of Net Position – Proprietary Funds (Exhibit D-1)
June 30, 2019

<u>Data Control Codes</u>		<u>Governmental Activities Internal Service Funds</u>
	Assets	
	Current assets	
1110	Cash and cash equivalents	\$ 2,883,616
1120	Current investments	7,269,299
1260	Due from other funds	1,756
1290	Other receivables	1,282
1410	Prepaid items	<u>51,444</u>
	Total current assets	<u>10,207,397</u>
	Noncurrent assets	
1520	Buildings and improvements, net	<u>634,193</u>
	Total noncurrent assets	<u>634,193</u>
1000	Total assets	<u>10,841,590</u>
	Liabilities	
	Current liabilities	
2110	Accounts payable	520,089
2200	Accrued liabilities	<u>2,785,290</u>
	Total current liabilities	<u>3,305,379</u>
2000	Total liabilities	<u>3,305,379</u>
	Net Position	
3200	Investment in capital assets	634,193
3900	Unrestricted	<u>6,902,018</u>
3000	Total net position	<u>\$ 7,536,211</u>

Midland Independent School District
Statement of Revenues, Expenditures, and Changes in Net Position– Proprietary Funds (Exhibit D-2)
Year Ended June 30, 2019

<u>Data Control Codes</u>	<u>Governmental Activities Internal Service Funds</u>
Operating revenues	
5700 Local and intermediate revenues	\$ 20,666,453
5020 Total revenues	<u>20,666,453</u>
Operating expenses	
6200 Professional and contracted services	464,246
6400 Other operating costs	<u>17,241,407</u>
6030 Total expenses	<u>17,705,653</u>
Operating income	<u>2,960,800</u>
Non-operating revenues	
7955 Earnings from temp. deposits and investments	<u>38,097</u>
8030 Total non-operating revenues	<u>38,097</u>
Other financing sources (uses)	
7915 Transfers in	<u>4,000,000</u>
7080 Total other financing sources (uses)	<u>4,000,000</u>
1300 Change in net position	6,998,897
0100 Net position, beginning	<u>537,314</u>
3300 Net position, ending	<u><u>\$ 7,536,211</u></u>

Midland Independent School District
Statement of Cash Flows– Proprietary Funds (Exhibit D-3)
Year Ended June 30, 2019

	Governmental Activities
	Internal Service Funds
Operating activities	
Cash received from quasi-external operating activities	\$ 22,269,018
Cash payments to suppliers for goods and benefits	(18,470,776)
Net cash from operating activities	3,798,242
Noncapital financing activities	
Transfers from other funds	4,000,000
Net cash from noncapital financing activities	4,000,000
Investing Activities	
Interest and dividends received on investments	38,097
Purchase of investments	(6,878,741)
Net cash used for investing activities	(6,840,644)
Net change in cash and cash equivalents	957,598
Cash and cash equivalents, beginning of year	1,926,018
Cash and cash equivalents, end of the year	\$ 2,883,616
Reconciliation of operating income to net cash from (used for) operating activities	
Operating income	\$ 2,960,800
Depreciation	28,827
Change in assets and liabilities	
(Increase) decrease in due from other funds	1,670,252
(Increase) decrease in other receivables	(1,282)
Decrease in prepaid items	(31,960)
Increase (decrease) in accounts payable	(556,700)
Decrease in due to other funds	(66,405)
Decrease in payable from restricted assets	(205,290)
Net cash from (used for) operating activities	\$ 3,798,242

Midland Independent School District
Statement of Fiduciary Net Position – Fiduciary Funds (Exhibit E-1)
June 30, 2019

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	463,231
1120	Current investments	298,330	-	-
1290	Other receivables	-	386,015	-
1000	Total assets	<u>298,330</u>	<u>386,444</u>	<u>463,231</u>
	Liabilities			
2400	Payable from restricted assets	85,676	-	-
2190	Due to student groups	-	-	463,231
2000	Total liabilities	<u>85,676</u>	<u>-</u>	<u>\$ 463,231</u>
	Net Position			
3800	Restricted	<u>212,654</u>	<u>386,444</u>	
	Total net position	<u>\$ 212,654</u>	<u>\$ 386,444</u>	

Midland Independent School District
Statement of Change in Net Position – Fiduciary Funds (Exhibit E-2)
Year Ended June 30, 2019

	<u>801 Private Purpose Trust Fund</u>	<u>800 Employee Benefits Trust Fund</u>
Additions		
Contributions		
Benefits	\$ -	\$ 117,244
Total contributions	<u>-</u>	<u>117,244</u>
Investment Earnings		
Earnings from temp. deposits and investments	6,974	42
Total investment earnings	<u>6,974</u>	<u>42</u>
Total additions	<u>6,974</u>	<u>117,286</u>
Deductions		
Scholarships awarded	57,795	-
Total deductions	<u>57,795</u>	<u>-</u>
Change in net position	(50,821)	117,286
Net position, beginning	<u>263,475</u>	<u>269,158</u>
Net position, ending	<u>\$ 212,654</u>	<u>\$ 386,444</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.

During fiscal year 2019, the District entered into six partnership agreements under Senate Bill 1882. These partnerships had no activity during the June 30, 2019 fiscal year.

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.

National School Breakfast and Lunch Program Fund – a governmental fund type, is used to account for federal reimbursement revenue from the United States Department of Agriculture as well as user fees (meal charges) for the National School Breakfast and Lunch Programs.

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 and another internal service fund for employee housing.

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
Buses	10
Other vehicles	5
Office equipment	5
Computer equipment	5

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 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 Teacher Retirement System of Texas (TRS) TRS-Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources 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, 2019, 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, 2019, deposits of the Midland I.S.D. Education Foundation subject to credit risk were \$3,352,797.

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, 2019 are as follows:

	Fair Value	Rating	Weighted Average Maturity (Days)*
Texpool	\$ 6,284,874	AAAm	35
Texpool Prime	117,682,978	AAAm	39
Lonestar/First Public	633,728	AAAm	39
Texas Class	351,733	AAAm	76
Texas Term - TexasDAILY	5,228,762	AAAm	34
Wells Fargo Money Market	18,500,000	N/A	N/A
Total value	<u>\$ 148,682,075</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.

	Governmental Activities	Component Unit
Reported in Schedule A-1		
1120 Investments - Current	\$ 148,383,745	\$ -
	<u>Private Purpose Trust Fund</u>	
Reported in Schedule E-1		
1120 Investments - Current	\$ 298,330	

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, 2019 fiscal year was based, was \$25,295,797,904. 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, 2019 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, 2019, property taxes receivable, net of estimated uncollectible taxes, totaled \$4,700,916.

The tax rate to finance general governmental services was \$1.04005 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, 2019.

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, 2019, are summarized below:

Governmental Activities	Local	State Grants/ Entitlements	Federal Grants	Total
General Fund	\$ 823,507	\$ 5,038,854	\$ -	\$ 5,862,361
Debt Service Fund	63,626	-	-	63,626
Nonmajor Governmental Funds	-	58,237	3,382,073	3,440,310
	\$ 887,133	\$ 5,097,091	\$ 3,382,073	\$ 9,366,297

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, 2019, resulting from payroll and accumulated fund charges, consisted of the following individual fund balances:

<u>Due From/To Other Funds</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 9,356,334	\$ 5,704,430
Internal Service Funds	1,756	-
National School Breakfast/Lunch Program	62	254,621
Nonmajor governmental funds	16,333	3,415,434
	<u> </u>	<u> </u>
Totals	<u>\$ 9,374,485</u>	<u>\$ 9,374,485</u>

Interfund transfers during the year ended June 30, 2019, consisted of the following individual balances:

<u>Transfer Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	\$ 12,700,000
General Fund	Internal service funds	4,000,000
		<u> </u>
Total		<u>\$ 16,700,000</u>

The interfund transfer between the General Fund and the nonmajor government funds is due to land acquisitions and junior high turf field purchases through the capital projects fund. The interfund transfer between the General Fund and internal service funds is to establish an employee housing fund to be used to purchase and maintain employee housing.

Note 8 - Capital Asset Activity

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

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Land and improvements	\$ 8,985,930	\$ 425,189	\$ -	\$ 9,411,119
Construction in progress	-	3,023,876	-	3,023,876
Total capital assets, not being depreciated	8,985,930	3,449,065	-	12,434,995
Capital assets, being depreciated				
Buildings and improvements	424,684,002	888,722	(17,681)	425,555,043
Furniture and equipment	29,594,013	3,238,754	(2,126,910)	30,705,857
Total capital assets, being depreciated	454,278,015	4,127,476	(2,144,591)	456,260,900
Less accumulated depreciation for				
Buildings and improvements	(132,043,240)	(10,127,145)	17,681	(142,152,704)
Furniture and equipment	(26,148,097)	(1,153,883)	2,126,910	(25,175,070)
Total accumulated depreciation	(158,191,337)	(11,281,028)	2,144,591	(167,327,774)
Total capital assets, being depreciated, net	296,086,678	(7,153,552)	-	288,933,126
Governmental activities capital assets, net	\$ 305,072,608	\$(3,704,487)	\$ -	\$ 301,368,121

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

Governmental Activities		
11	Instruction	\$ 9,607,781
12	Instructional resources and media services	2,433
23	School leadership	6,019
31	Guidance, counseling, and evaluation services	91,667
33	Health services	1,499
34	Student transportation	684,239
35	Food service	117,764
36	Extracurricular activities	77,788
41	General administration	37,635
51	Plant maintenance and operations	451,463
52	Security and monitoring services	97,542
53	Data processing services	65,874
81	Facilities repair and maintenance	39,324
		<hr/>
	Total depreciation expense-governmental activities	\$ 11,281,028
		<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, 2019 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	\$ 270,000	\$ -	\$ (130,000)	\$ 140,000	\$ 140,000
Unlimited Tax Refunding Bond, Series 2011	1.75-5.00%	26,500,000	18,495,000	-	(1,490,000)	17,005,000	1,560,000
Unlimited Tax Refunding Bonds, Series 2012	3.00-5.00%	22,835,000	20,100,000	-	(1,030,000)	19,070,000	1,110,000
Unlimited Tax School Building and Refunding Bonds, Series 2013	1.00-5.00%	70,175,000	9,820,000	-	(1,950,000)	7,870,000	2,025,000
Unlimited Tax School Building Series, 2015	3.00-5.00%	85,235,000	45,500,000	-	(1,115,000)	44,385,000	1,165,000
Unlimited Tax Refunding Bonds, Series 2015	1.30-5.00%	38,495,000	34,630,000	-	(1,675,000)	32,955,000	1,685,000
Unlimited Tax Refunding Bonds, Series 2016	0.80-4.00%	26,000,000	25,680,000	-	(35,000)	25,645,000	35,000
Unlimited Tax Refunding Bonds, Series 2017	3.50-5.00%	54,335,996	53,205,996	-	(85,000)	53,120,996	85,000
Total bonds payable			\$207,700,996	\$ -	\$ (7,510,000)	\$200,190,996	\$ 7,805,000

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

Year Ending June 30,	Principal	Interest	Total Requirements
2020	\$ 7,805,000	\$ 8,865,900	\$ 16,670,900
2021	8,245,000	8,561,475	16,806,475
2022	8,285,000	8,203,650	16,488,650
2023	6,860,996	9,590,205	16,451,201
2024	8,955,000	7,544,000	16,499,000
2025-2029	49,305,000	31,207,125	80,512,125
2030-2034	52,840,000	19,805,200	72,645,200
2035-2039	52,075,000	8,684,325	60,759,325
2040	5,820,000	291,000	6,111,000
Totals	\$ 200,190,996	\$ 102,752,880	\$ 302,943,876

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	\$ 207,700,996	\$ -	\$ (7,510,000)	\$ 200,190,996	\$ 7,805,000
Less deferred amounts					
For issuance premium/ discounts (CIB's)	22,169,857	-	(1,455,895)	20,713,962	1,450,557
Total bonds payable, net	229,870,853	-	(8,965,895)	220,904,958	9,255,557
Accretion on CAB, Series 2017	169,259	338,517	-	507,776	-
Net pension liability	44,815,570	34,213,210	(4,557,826)	74,470,954	-
Net OPEB liability	77,930,218	13,292,932	(1,243,184)	89,979,966	-
Governmental activities long-term liabilities	<u>\$ 352,785,900</u>	<u>\$ 47,844,659</u>	<u>\$ (14,766,905)</u>	<u>\$ 385,863,654</u>	<u>\$ 9,255,557</u>

Pension and OPEB liabilities are typically liquidated through contributions to TRS made by the following funds: General Fund; National School Breakfast and Lunch Program; ESEA I, A Improving Basic Programs; IDEA Part B Formula; IDEA Part B Preschool; Summer Feeding Program; Career and Technical Basic Grant; ESEA II, A Teacher and Principal Training and Recruiting; Title III, A English Language Acquisition and Enhancement; Other Federal Special Revenue Funds; Title I Priority and Focus; High Quality Pre-K; and Other Local Special Revenue Funds.

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, 2019.

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, 2019 as follows:

Year Ending June 30,		
2020	\$	695,970
2021		656,414
2022		165,953
Total minimum future lease payments	\$	1,518,337

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, 2019, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

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.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 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

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

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

	Contribution Rates	
	2018	2019
Member	7.70%	7.70%
Non-Employer Contributing Entity (State)	6.80%	6.80%
Employers	6.80%	6.80%
	2018	2019
Member Contributions	\$ 9,522,919	\$ 10,360,623
NECE On-Behalf Contributions	6,890,710	7,258,791
Employer Contributions	3,865,452	4,105,064

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.

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

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

- When a school district 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.

Actuarial Assumptions

The total pension liability in the August 31, 2017 actuarial valuation rolled forward to August 31, 2018 was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual entry age normal
Asset Valuation Method	Market value
Single Discount Rate	6.907%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate*	N/A*
Last year ending August 31 in Projection Period (100 years)	2116
Inflation	2.30%
Salary Increases including inflation	3.05% to 9.05%
Ad hoc post-employment benefit changes	None

* If a municipal bond rate was to be used, the rate would be 3.69% as of August 2018 (i.e., the rate closest to but not later than the measurement date). The source for the rate is the Fixed Income Market Date/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."

The actuarial methods and assumptions are primarily based on a study of actual experience for the three-year period ending August 31, 2017 and adopted on July 27, 2018.

Discount Rate

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

**Teacher Retirement System of Texas
Asset Allocation and Long-Term Expected Real Rate of Return as of August 31, 2018**

Asset Class	Target Allocation ¹	Long-Term Expected Geometric Real Rate of Return ²	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S.	18.0%	5.7%	1.0%
Non-U.S. Developed	13.0%	6.9%	0.9%
Emerging Markets	9.0%	8.9%	0.8%
Directional Hedge Funds	4.0%	3.5%	0.1%
Private Equity	13.0%	10.2%	1.3%
Stable Value			
U.S. Treasuries	11.0%	1.1%	0.1%
Absolute Return	0.0%	0.0%	0.0%
Stable Value Hedge Funds	4.0%	3.1%	0.1%
Cash	1.0%	-0.3%	0.0%
Real Return			
Global Inflation Linked Bonds	3.0%	0.7%	0.0%
Real Assets	14.0%	5.2%	0.7%
Energy and Natural Resources	5.0%	7.5%	0.4%
Commodities	0.0%	0.0%	0.0%
Risk Parity			
Risk Parity	5.0%	3.7%	0.2%
Inflation Expectation			2.3%
Volatility Drag ³			-0.8%
Totals	<u>100%</u>		<u>7.2%</u>

¹ Target allocations are based on FY2016 policy model.

² Capital market assumptions come from Aon Hewitt (2017 Q4).

³ The volatility drag results from the conversion between arithmetic and geometric mean returns.

Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (5.907%)	Discount Rate (6.907%)	1% Increase Discount Rate (7.907%)
Total TRS net pension liability	\$ 83,072,220,959	\$ 55,042,426,960	\$ 32,350,646,325
District's proportionate share of the net pension liability	\$ 112,394,527	\$ 74,470,954	\$ 43,769,572

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

At June 30, 2019, the District reported a liability of \$74,470,954 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	\$ 74,470,954
State's proportionate share that is associated with the District	<u>116,759,846</u>
Total	<u>\$ 191,230,800</u>

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

At August 31, 2018, the employer's proportion of the collective net pension liability was .1352974% which was a decrease from .1401591% from its proportion measured as of August 31, 2017.

Changes since the Prior Actuarial Valuation

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

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

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

For the year ended June 30, 2019, the District recognized pension expense of \$11,556,113 and revenue of \$7,141,573 for support provided by the State.

Midland Independent School District

Notes to Financial Statements

June 30, 2019

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actuarial economic experience	\$ 464,191	\$ 1,827,223
Changes in actuarial assumptions	26,850,366	839,075
Difference between projected and actual investment earnings	-	1,413,033
Changes in proportion and differences between District contributions and the proportionate share of contributions	5,422,956	4,069,238
Contributions paid to TRS subsequent to the measurement date	<u>3,422,020</u>	<u>-</u>
Total	<u>\$ 36,159,533</u>	<u>\$ 8,148,569</u>

\$3,422,020 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, 2020.

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>
2020	\$ 6,924,018
2021	3,950,410
2022	3,113,504
2023	3,803,798
2024	4,021,542
Thereafter	<u>2,775,672</u>
Totals	<u>\$ 24,588,944</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/pd##CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

Benefits Provided

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

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

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

TRS-Care Monthly for Retirees
January 1, 2018 thru December 31, 2018

	Medicare	Non-Medicare
Retiree*	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1,020	999

* or surviving spouse

Contributions

Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you go basis and is subject to 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		
	2018	2019
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%
	2018	2019
Employer Contributions	\$ 1,056,281	\$ 1,127,509
Member Contributions	803,883	874,596
NECE On-behalf Contributions	1,505,709	1,724,651

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 \$182.6 million in fiscal year 2018. The 85th Texas Legislature, House Bill 30 provided an additional \$212 million in one-time, supplemental funding for the FY2018-19 biennium to continue to support the program. The was also received in FY2018 bringing the total appropriations received to fiscal year 2018 to \$394.6 million.

Actuarial Assumptions

The total OPEB liability in the August 31, 2017 was rolled forward to August 31, 2018. The actuarial valuation was determined using the following actuarial assumptions:

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension plan actuarial valuation that was rolled forward to August 31, 2018:

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

 Additional Actuarial Methods and Assumptions

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate *	3.69%
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.
Payroll Growth Rate	2.30%
Projected Salary Increases **	3.05% to 9.05%
Healthcare Trend Rates ***	4.50% to 11.00%
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad hoc post-employment benefit changes	None

* Source: Fixed income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2018.

** Includes inflation at 2.30%.

*** Initial trend rates are 7.00% for non-Medicare retirees; 10.00% for Medicare retirees and 12.00% for prescriptions on all retirees. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of ten years.

Discount Rate

A single discount rate of 3.69% was used to measure the total OPEB liability. There was a change of 0.27% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

Discount Rate Sensitivity Analysis

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

	<u>1% Decrease in Discount Rate (2.69%)</u>	<u>Discount Rate (3.69%)</u>	<u>1% Increase Discount Rate (4.69%)</u>
Total TRS net OPEB liability	\$ 59,434,944,462	\$ 49,930,915,470	\$ 42,412,615,881
District's proportionate share of the Net OPEB liability	\$ 107,107,074	\$ 89,979,966	\$ 76,431,319

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:

	<u>1% Decrease in Healthcare Trend Rate (7.5%)</u>	<u>Current Single Healthcare Trend Rate (8.5%)</u>	<u>1% Increase in Healthcare Trend Rate (9.5%)</u>
Total TRS net OPEB liability	\$ 41,468,438,436	\$ 49,930,915,470	\$ 61,076,180,591
District's proportionate share of the Net OPEB liability	\$ 74,729,827	\$ 89,979,966	\$ 110,064,728

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

At June 30, 2019, the District reported a liability of \$89,979,966 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	\$ 89,979,966
State's proportionate share that is associated with the District	<u>127,050,649</u>
Total	<u>\$ 217,030,615</u>

The Net OPEB Liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The 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, 2017 through August 31, 2018.

At June 30, 2019, the District's proportion of the collective Net OPEB Liability was 0.1802089%, which was an increase from .1792066% from its proportion measured as of June 30, 2018.

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:

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

The following were changes in benefit terms since the prior measurement period:

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

Midland Independent School District

Notes to Financial Statements

June 30, 2019

For the year ended June 30, 2019, the District recognized OPEB expense of \$4,621,340 and revenue of \$1,752,860 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actuarial economic experience	\$ 4,774,902	\$ 1,420,016
Changes in actuarial assumptions	1,501,522	27,033,817
Difference between projected and actual investment earnings	15,736	-
Changes in proportion and differences between District contributions and the proportionate share of contributions	547,137	-
Contributions paid to TRS subsequent to the measurement date	<u>942,685</u>	<u>-</u>
Totals	<u>\$ 7,781,982</u>	<u>\$ 28,453,833</u>

\$942,685 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, 2020.

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:

<u>Year Ended June 30</u>	<u>OPEB Expense Amount</u>
2020	\$ (3,473,328)
2021	(3,473,328)
2022	(3,473,328)
2023	(3,476,304)
2024	(3,478,006)
Thereafter	<u>(4,240,242)</u>
Totals	<u>\$ (21,614,536)</u>

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 \$467,016, \$547,884, and \$410,271 for the years ended June 30, 2019, 2018 and August 31, 2017, respectively.

Note 14 - Revenues from Local and Intermediate Sources

	General	National School Breakfast/Lunch Program	Debt Service	Nonmajor Governmental	Total
Property taxes	\$ 259,484,672	\$ -	19,986,873	\$ -	\$ 279,471,545
Penalties, interest, and other tax-related	2,114,377	-	155,423	-	2,269,800
Investment income	2,593,634	42,234	231,766	13,755	2,881,389
Food sales	-	3,287,514	-	-	3,287,514
Co-curricular/extra- curricular student activities	472,440	-	-	-	472,440
Gifts and bequests	340,591	-	-	310,417	651,008
Insurance recoveries	66,106	-	-	-	66,106
Oil and gas leases	295,394	-	-	-	295,394
Other	844,120	12,290	-	734,792	1,591,202
Total	\$ 266,211,334	\$ 3,342,038	\$ 20,374,062	\$ 1,058,964	\$ 290,986,398

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, 2019.

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.

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, 2019, the capital projects fund had a remaining fund balance of \$10,808,871 transferred from the General Fund for construction projects. At June 30, 2019, the District had \$1,225,178 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, 2019, the District had no assigned fund balance

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:

	<u>CFDA</u>	<u>Amount</u>
School of Health and Related Services	N/A	\$ 3,195,770
ROTC	N/A	101,415
High Quality Pre-K	N/A	482
Indirect costs:		
ESEA Title I, Part A	84.010A	134,132
Title I, Transformation Zone	84.010A	41,033
Title I, Priority & Focus	84.010A	17,641
IDEA - Part B	84.027A	60,932
IDEA - Part B Preschool	84.173A	6,037
Title IV, Part A	84.424A	8,328
Career & Technical Basic	84.048A	10,761
ESEA Title II, Part A	84.367A	5,246
Grants for State Assessments	84.369A	427
National School Breakfast/Lunch Program	10.555	500,000
Title III, Part A - Immigrant	84.365A	11,259
		<u>\$ 4,093,463</u>

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 2019, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

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, 2019, the accrued liabilities for worker's compensation self-insurance of \$1,887,057 includes estimated incurred but not reported claims and is included in accrued expense liability.

	Year Ended June 30, 2019
Unpaid claims, beginning of fiscal year	\$ 1,975,479
Incurred claims (including IBNR's and changes in provisions)	438,573
Claim payments	(526,995)
	<u>1,887,057</u>
Unpaid claims, end of fiscal year	<u>\$ 1,887,057</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, 2019, to \$150,000 for any individual participant and an aggregate limit equal to \$1,000,000. Estimates of claims payable and of claims incurred, but not reported at June 30, 2019, 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, 2019
Unpaid claims, beginning of fiscal year	\$ 1,015,101
Incurred claims (including IBNR's and changes in provisions)	14,743,826
Claim payments	(14,860,694)
Unpaid claims, end of fiscal year	\$ 898,233

Note 19 - Subsequent Events

On July 22, 2019, the District utilized funds within the Employee Housing Fund to purchase two apartment complexes at a contract price of approximately \$3.1 million to be used for teacher housing. On September 18, 2019, the District received approximately \$5.0 million of insurance proceeds related to hail damage. On October 15, 2019, the District utilized funds with the Capital Projects Fund to purchase land at a contract price of approximately \$9.5 million for planned District expansion.

Note 20 - Fund Reclassification

The District changed the Employee Housing Fund from Fund 751 in prior years to Fund 771 in the current fiscal year. All transactions related to the Employee Housing Fund are reflected under Fund 771.



Required Supplementary Information
June 30, 2019

Midland Independent School District

Data Control Codes		Budgeted Amounts	
		Original	Final
	Revenues		
5700	Local and intermediate revenues	\$ 232,721,850	\$ 265,619,123
5800	State program revenues	16,977,942	26,715,700
5900	Federal program revenues	2,250,000	2,250,000
5020	Total revenues	251,949,792	294,584,823
	Expenditures		
	Current		
0011	Instruction	118,235,729	118,223,791
0012	Instructional resources and media services	2,084,203	2,305,202
0013	Curriculum and instructional staff development	3,218,886	3,575,528
0021	Instructional leadership	3,148,922	3,668,064
0023	School leadership	12,359,160	13,117,128
0031	Guidance, counseling, and evaluation services	6,848,861	7,923,343
0032	Social work services	150,174	403,067
0033	Health services	2,184,281	2,386,423
0034	Student transportation	6,355,996	9,436,369
0035	Food service	-	744,000
0036	Extracurricular activities	5,210,667	4,933,246
0041	General administration	4,896,735	5,931,465
0051	Plant maintenance and operations	22,135,615	19,720,922
0052	Security and monitoring services	1,608,555	1,830,335
0053	Data processing services	3,347,400	4,877,726
0061	Community services	500,358	704,100
	Capital outlay		
0081	Facilities acquisition and construction	-	1,785,000
	Intergovernmental		
0091	Contracted instructional services between schools	57,512,086	65,345,848
0093	Payments related to shared service arrangements	160,000	117,778
0099	Other intergovernmental charges	1,992,164	1,810,034
6030	Total expenditures	251,949,792	268,839,369
1100	(Deficiency) excess of revenues (under) over expenditures	-	25,745,454
	Other financing sources (uses)		
8911	Transfers out	-	(16,700,000)
7080	Total other financing sources (uses)	-	(16,700,000)
1200	Net change in fund balance	-	9,045,454
0100	Fund balance, beginning	80,465,642	80,465,642
3000	Fund balance, ending	\$ 80,465,642	\$ 89,511,096

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, 2019

Actual	Variance with Final Budget Positive (Negative)
\$ 266,211,334	\$ 592,211
27,782,859	1,067,159
4,093,463	1,843,463
<u>298,087,656</u>	<u>3,502,833</u>
116,764,444	1,459,347
2,112,941	192,261
3,489,597	85,931
3,199,226	468,838
12,886,235	230,893
7,423,887	499,456
210,791	192,276
2,190,830	195,593
8,624,391	811,978
22,573	721,427
4,575,770	357,476
5,641,768	289,697
18,687,117	1,033,805
1,707,741	122,594
4,272,821	604,905
462,568	241,532
1,537,831	247,169
64,924,677	421,171
109,278	8,500
1,810,034	-
<u>260,654,520</u>	<u>8,184,849</u>
<u>37,433,136</u>	<u>11,687,682</u>
(16,700,000)	-
(16,700,000)	-
<u>20,733,136</u>	<u>11,687,682</u>
80,465,642	-
<u>\$ 101,198,778</u>	<u>\$ 11,687,682</u>

Midland Independent School District
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – National School
Breakfast and Lunch Program (Exhibit G-2)
Year Ended June 30, 2019

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
	Revenues				
5700	Local and intermediate revenues	\$ 4,241,200	\$ 4,241,200	\$ 3,342,038	\$ (899,162)
5800	State program revenues	58,500	58,500	58,310	(190)
5900	Federal program revenues	8,526,700	8,526,700	8,503,554	(23,146)
5020	Total revenues	12,826,400	12,826,400	11,903,902	(922,498)
	Expenditures				
	Current				
	Support services - student (pupil)				
0035	Food service	12,826,400	12,826,400	11,756,540	1,069,860
	Total support services - student (pupil)	12,826,400	12,826,400	11,756,540	1,069,860
6030	Total expenditures	12,826,400	12,826,400	11,756,540	1,069,860
1100	(Deficiency) excess of revenues (under) over expenditures	-	-	147,362	147,362
1200	Net change in fund balance	-	-	147,362	147,362
0100	Fund balance, beginning	3,604,900	3,604,900	3,604,900	-
3000	Fund balance, ending	\$ 3,604,900	\$ 3,604,900	\$ 3,752,262	\$ 147,362

Midland Independent School District

Schedule of the District's Proportionate Share of the Net Pension Liability – Teacher Retirement System of Texas (Exhibit G-3)
Year Ended June 30, 2019

	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.1352974%	0.1401599%	0.1445504%	0.1589302%	0.1589302%
District's proportionate share of the net pension liability	\$ 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	116,759,846	64,433,639	81,609,959	78,651,973	78,651,973
Totals	\$ 191,230,800	\$ 109,249,209	\$ 136,233,944	\$ 134,831,143	\$ 134,831,143
District's covered payroll	\$ 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	51.08%	32.79%	38.29%	39.60%	44.85%
Plan fiduciary net position as a percentage of the total pension liability	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-4)
Year Ended June 30, 2019

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

	2019	2018
District's proportion of the net OPEB liability	0.1802089%	0.1792066%
District's proportionate share of the net OPEB liability	\$ 89,979,966	\$ 77,930,218
State's proportionate share of the net OPEB liability associated with the District	127,050,649	106,760,063
Totals	\$ 217,030,615	\$ 184,690,281
District's covered employee payroll	\$ 145,785,950	\$ 136,693,306
District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	61.72%	57.01%
Plan fiduciary net position as a percentage of the total OPEB liability	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-6)
Year Ended June 30, 2019

	2019	2018
Contractually required contributions	\$ 1,127,509	\$ 1,056,281
Contributions in relation to the contractually required contributions	\$ (1,127,509)	\$ (1,056,281)
Contribution Deficiency (Excess)	\$ -	\$ -
District's covered employee payroll	\$ 134,544,961	\$ 123,698,674
Contributions as a percentage of covered employee payroll	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 Total Pension Liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8.0% as of August 31, 2017 to 6.907% as of August 31, 2018.
- The long-term assumed rate of return changed from 8.0% to 7.25%
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the Net Pension Liability.

Note 3 - OPEB

Changes of Benefit Terms

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

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

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



Other Supplementary Information
June 30, 2019

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	\$ 225,140	\$ 337,622	\$ 774
1120	Current investments	-	66,262	-
1240	Due from other governments	707,937	1,503,107	90,047
1260	Due from other funds	743	199	-
1290	Other receivables	-	247	-
1410	Prepayments	-	-	-
1000	Total assets	\$ 933,820	\$ 1,907,437	\$ 90,821
Liabilities				
2110	Accounts payable	\$ 12,673	\$ 5,921	25
2150	Payroll deductions and withholdings	27,436	50,936	6,795
2160	Accrued wages payable	274,394	159,210	12,650
2170	Due to other funds	618,274	1,691,370	71,351
2180	Due to other governments	1,043	-	-
2300	Unearned revenue	-	-	-
2000	Total liabilities	933,820	1,907,437	90,821
Fund Balances				
3430	Nonspendable - prepaid items	-	-	-
3450	Restricted - grants	-	-	-
3510	Committed - construction	-	-	-
3545	Committed - other	-	-	-
3600	Unassigned	-	-	-
	Total fund balances	-	-	-
	Total liabilities and fund balances	\$ 933,820	\$ 1,907,437	\$ 90,821

Midland Independent School District

Combining Balance Sheet – Nonmajor Governmental Funds – Special Revenue Funds (Exhibit H-1)

June 30, 2019

242	244	255	263	272
Summer Feeding Program	Career & Technical Basic Grant	ESEA Title II, Part A; Teacher & Principal Training & Recruiting	Title III, Part A English Language Acquisition & Enhancement	Medical Assistance Program
\$ 116,904	\$ 7,742	\$ -	\$ 5,212	\$ -
-	-	-	-	-
32,686	36,248	74,947	35,380	-
-	3	17	-	-
-	-	-	13	-
-	-	1,800	798	-
<u>\$ 149,590</u>	<u>\$ 43,993</u>	<u>\$ 76,764</u>	<u>\$ 41,403</u>	<u>\$ -</u>
\$ -	\$ -	\$ 14,163	\$ 10	\$ -
842	1,609	245	2,109	-
8,109	5,814	1,250	6,684	-
118	36,445	61,089	32,600	-
-	125	17	-	-
-	-	-	-	-
<u>9,069</u>	<u>43,993</u>	<u>76,764</u>	<u>41,403</u>	<u>-</u>
-	-	1,800	798	-
140,521	-	-	-	-
-	-	-	-	-
-	-	(1,800)	(798)	-
<u>140,521</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 149,590</u>	<u>\$ 43,993</u>	<u>\$ 76,764</u>	<u>\$ 41,403</u>	<u>\$ -</u>

Data Control Codes	289 Other Federal Special Revenue Funds	296 Title I, Priority & Focus	396 Advanced Placement Testing	
Assets				
1110	Cash and cash equivalents	\$ 1,162	\$ 52,552	\$ 64,090
1120	Current investments	-	-	-
1240	Due from other governments	834,616	67,105	-
1260	Due from other funds	3,292	12,079	-
1290	Other receivables	-	-	-
1410	Prepayments	17,325	-	-
1000	Total assets	<u>\$ 856,395</u>	<u>\$ 131,736</u>	<u>\$ 64,090</u>
Liabilities				
2110	Accounts payable	\$ 268,538	\$ 2,086	\$ 458
2150	Payroll deductions and withholdings	13,632	-	-
2160	Accrued wages payable	27,650	8,826	-
2170	Due to other funds	544,680	102,363	-
2180	Due to other governments	1,895	18,461	-
2300	Unearned revenue	-	-	63,632
2000	Total liabilities	<u>856,395</u>	<u>131,736</u>	<u>64,090</u>
Fund Balances				
3430	Nonspendable - prepaid items	17,325	-	-
3450	Restricted - grants	-	-	-
3510	Committed - construction	-	-	-
3545	Committed - other	-	-	-
3600	Unassigned	(17,325)	-	-
	Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>
	Total liabilities and fund balances	<u>\$ 856,395</u>	<u>\$ 131,736</u>	<u>\$ 64,090</u>

Midland Independent School District
 Combining Balance Sheet – Nonmajor Governmental Funds – Special Revenue Funds (Exhibit H-1)
 June 30, 2019

410	429	461	499	
State Textbook Fund	Other State Funded Special Revenue Funds	Campus Activity Fund	Other Local Special Revenue Funds	Total Nonmajor Special Revenue Funds
\$ 4,074	\$ 7,406	\$ 1,236,665	\$ 761,912	\$ 2,821,255
-	-	-	4,500,000	4,566,262
49,267	8,970	-	-	3,440,310
-	-	-	-	16,333
-	-	-	44,159	44,419
-	-	-	-	19,923
<u>\$ 53,341</u>	<u>\$ 16,376</u>	<u>\$ 1,236,665</u>	<u>\$ 5,306,071</u>	<u>\$ 10,908,502</u>
49,267	\$ -	11,354	549	\$ 365,044
-	-	123	1,770	105,497
-	-	-	7,648	512,235
4,074	16,376	10	236,684	3,415,434
-	-	-	-	21,541
-	-	-	4,993,585	5,057,217
<u>53,341</u>	<u>16,376</u>	<u>11,487</u>	<u>5,240,236</u>	<u>9,476,968</u>
-	-	-	-	19,923
-	-	-	65,835	206,356
-	-	-	-	-
-	-	1,225,178	-	1,225,178
-	-	-	-	(19,923)
<u>-</u>	<u>-</u>	<u>1,225,178</u>	<u>65,835</u>	<u>1,431,534</u>
<u>\$ 53,341</u>	<u>\$ 16,376</u>	<u>\$ 1,236,665</u>	<u>\$ 5,306,071</u>	<u>\$ 10,908,502</u>

Midland Independent School District
Combining Balance Sheet – Nonmajor Governmental Funds – Special Revenue Funds (Exhibit H-1)
June 30, 2019

<u>Data Control Codes</u>	<u>699</u>	<u>Total Nonmajor Governmental Funds (See Exhibit C-1)</u>
	<u>Capital Projects Fund</u>	
Assets		
1110	Cash and cash equivalents	806,030
1120	Current investments	\$ 3,627,285
1240	Due from other governments	10,000,000
1260	Due from other funds	-
1290	Other receivables	-
1410	Prepayments	3,440,310
		16,333
		47,260
		19,923
1000	Total assets	<u>\$ 10,808,871</u>
Liabilities		
2110	Accounts payable	\$ -
2150	Payroll deductions and withholdings	\$ 365,044
2160	Accrued wages payable	-
2170	Due to other funds	105,497
2180	Due to other governments	-
2300	Unearned revenue	512,235
		3,415,434
		21,541
		5,057,217
2000	Total liabilities	<u>-</u>
Fund Balances		
3430	Nonspendable - prepaid items	-
3450	Restricted - grants	19,923
3510	Committed - construction	-
3545	Committed - other	206,356
3600	Unassigned	10,808,871
		-
		1,225,178
		(19,923)
	Total fund balances	<u>10,808,871</u>
	Total liabilities and fund balances	<u>\$ 10,808,871</u>
		<u>\$ 21,717,373</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	3,568,640	3,461,054
5020	Total revenues	3,568,640	3,461,054
Expenditures			
Current			
0011	Instruction	2,559,111	1,978,319
0012	Instructional resources and media services	8,582	-
0013	Curriculum and instructional staff development	571,342	53,172
0021	Instructional leadership	49,856	193,605
0023	School leadership	268,717	-
0031	Guidance, counseling, and evaluation services	51,007	1,214,905
0033	Health services	-	-
0034	Student transportation	-	21,053
0035	Food service	-	-
0036	Extracurricular activities	-	-
0041	General administration	-	-
0051	Plant maintenance and operations	3,327	-
0052	Security and monitoring services	-	-
0053	Data processing services	-	-
0061	Community services	56,698	-
0081	Facilities acquisition and construction	-	-
6030	Total expenditures	3,568,640	3,461,054
1100	Excess (deficiency) of revenues over (under) expenditures	-	-
Other financing sources (uses)			
7915	Transfers in	-	-
	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, 2019

242	244	255	263	272
Summer Feeding Program	Career & Technical Basic Grant	ESEA Title II, Part A; Teacher & Principal Training & Recruiting	Title III, Part A English Language Acquisition & Enhancement	Medical Assistance Program
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
40,591	263,932	439,595	274,673	62,745
40,591	263,932	439,595	274,673	62,745
-	180,373	-	110,396	-
-	-	-	-	-
-	-	361,478	33,884	-
-	-	28,000	121,667	-
-	-	46,073	2,513	-
-	83,559	-	-	-
-	-	-	-	62,745
-	-	-	-	-
29,113	-	-	-	-
-	-	-	-	-
-	-	4,044	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	6,213	-
-	-	-	-	-
29,113	263,932	439,595	274,673	62,745
11,478	-	-	-	-
-	-	-	-	-
-	-	-	-	-
11,478	-	-	-	-
129,043	-	-	-	-
\$ 140,521	\$ -	\$ -	\$ -	\$ -

Data Control Codes	289	296	396
	Other Federal Special Revenue Funds	Title I, Priority & Focus	Advanced Placement Testing
Revenues			
5700	Local and intermediate revenues	\$ -	\$ -
5800	State program revenues	-	9,400
5900	Federal program revenues	2,789,637	-
5020	Total revenues	2,789,637	9,400
Expenditures			
Current			
0011	Instruction	1,376,788	389,329
0012	Instructional resources and media services	-	8,342
0013	Curriculum and instructional staff development	145,103	70,507
0021	Instructional leadership	881,234	-
0023	School leadership	245,845	9,854
0031	Guidance, counseling, and evaluation services	131,622	-
0033	Health services	-	-
0034	Student transportation	-	-
0035	Food service	-	-
0036	Extracurricular activities	-	-
0041	General administration	-	-
0051	Plant maintenance and operations	9,045	-
0052	Security and monitoring services	-	-
0053	Data processing services	-	-
0061	Community services	-	-
0081	Facilities acquisition and construction	-	-
6030	Total expenditures	2,789,637	478,032
1100	Excess (deficiency) of revenues over (under) expenditures	-	-
Other financing sources (uses)			
7915	Transfers in	-	-
	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, 2019

410	429	461	499	
State Textbook Fund	Other State Funded Special Revenue Funds	Campus Activity Funds	Other Local Special Revenue Funds	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ 709,493	\$ 339,550	\$ 1,049,043
155,107	79,993	-	-	244,500
-	-	-	-	11,586,786
<u>155,107</u>	<u>79,993</u>	<u>709,493</u>	<u>339,550</u>	<u>12,880,329</u>
155,107	7,326	417,543	117,528	7,499,707
-	-	40,264	-	57,188
-	59,003	454	-	1,304,343
-	272	-	-	1,274,634
-	4,592	10,609	-	588,203
-	-	11,361	20,000	1,512,454
-	-	-	-	62,745
-	-	-	-	21,053
-	-	34,785	-	63,898
-	-	105,868	-	105,868
-	-	-	-	4,044
-	8,800	17,415	-	38,587
-	-	-	36,493	36,493
-	-	-	-	-
-	-	741	99,694	163,346
-	-	15,947	-	15,947
<u>155,107</u>	<u>79,993</u>	<u>654,987</u>	<u>273,715</u>	<u>12,748,510</u>
<u>-</u>	<u>-</u>	<u>54,506</u>	<u>65,835</u>	<u>131,819</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>54,506</u>	<u>65,835</u>	<u>131,819</u>
<u>-</u>	<u>-</u>	<u>1,170,672</u>	<u>-</u>	<u>1,299,715</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,225,178</u>	<u>\$ 65,835</u>	<u>\$ 1,431,534</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, 2019

Data Control Codes	699	Total Nonmajor Governmental Funds (See Exhibit C-1)	
	Capital Projects Fund		
Revenues			
5700	Local and intermediate revenues	\$ 9,921	\$ 1,058,964
5800	State program revenues	-	244,500
5900	Federal program revenues	-	11,586,786
5020	Total revenues	9,921	12,890,250
Expenditures			
Current			
0011	Instruction	-	7,499,707
0012	Instructional resources and media services	-	57,188
0013	Curriculum and instructional staff development	-	1,304,343
0021	Instructional leadership	-	1,274,634
0023	School leadership	-	588,203
0031	Guidance, counseling, and evaluation services	-	1,512,454
0033	Health services	-	62,745
0034	Student transportation	-	21,053
0035	Food service	-	63,898
0036	Extracurricular activities	-	105,868
0041	General administration	-	4,044
0051	Plant maintenance and operations	824,737	863,324
0052	Security and monitoring services	12,000	48,493
0053	Data processing services	29,443	29,443
0061	Community services	-	163,346
0081	Facilities acquisition and construction	1,971,417	1,987,364
6030	Total expenditures	2,837,597	15,586,107
1100	Excess (deficiency) of revenues over (under) expenditures	(2,827,676)	(2,695,857)
Other financing sources (uses)			
7915	Transfers in	12,700,000	12,700,000
		12,700,000	12,700,000
1200	Net change in fund balances	9,872,324	10,004,143
0100	Fund balances, beginning	936,547	2,236,262
3000	Fund balances, ending	\$ 10,808,871	\$ 12,240,405

Midland Independent School District
Combining Statement of Net Position – Internal Service Funds (Exhibit I-1)
June 30, 2019

Data Control Codes		753 Self Insurance Fund	771 Employee Housing Fund	Total Internal Service Funds
Assets				
Current assets				
1110	Cash and cash equivalents	\$ 2,531,763	\$ 351,853	\$ 2,883,616
1120	Current investments	3,269,299	4,000,000	7,269,299
1260	Due from other funds	1,756	-	1,756
1290	Other receivables	-	1,282	1,282
1410	Prepaid items	19,444	32,000	51,444
	Total current assets	<u>5,822,262</u>	<u>4,385,135</u>	<u>10,207,397</u>
Noncurrent assets				
1520	Buildings and improvements, net	-	634,193	634,193
	Total noncurrent assets	<u>-</u>	<u>634,193</u>	<u>634,193</u>
1000	Total assets	<u>5,822,262</u>	<u>5,019,328</u>	<u>10,841,590</u>
Liabilities				
Current liabilities				
2110	Accounts payable	506,799	13,290	520,089
2200	Accrued liabilities	2,785,290	-	2,785,290
	Total current liabilities	<u>3,292,089</u>	<u>13,290</u>	<u>3,305,379</u>
2000	Total liabilities	<u>3,292,089</u>	<u>13,290</u>	<u>3,305,379</u>
Net Position				
3200	Investment in capital assets	-	634,193	634,193
3900	Unrestricted	2,530,173	4,371,845	6,902,018
3000	Total net position	<u>\$ 2,530,173</u>	<u>\$ 5,006,038</u>	<u>\$ 7,536,211</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, 2019

Data Control Codes	753 Self Insurance Fund	771 Employee Housing Fund	Total Internal Service Funds
Operating revenues			
5700	\$ 20,477,284	\$ 189,169	\$ 20,666,453
5020	20,477,284	189,169	20,666,453
Operating expenses			
6200	464,246	-	464,246
6400	17,113,067	128,340	17,241,407
6030	17,577,313	128,340	17,705,653
	2,899,971	60,829	2,960,800
Non-operating revenues			
7955	36,815	1,282	38,097
8030	36,815	1,282	38,097
Other financing sources (uses)			
7915	-	4,000,000	4,000,000
7080	-	4,000,000	4,000,000
1300	2,936,786	4,062,111	6,998,897
0100	(406,613)	943,927	537,314
3300	\$ 2,530,173	\$ 5,006,038	\$ 7,536,211

Midland Independent School District
Combining Statement of Cash Flows – Internal Service Funds (Exhibit I-3)
Year Ended June 30, 2019

	753 Self Insurance Fund	771 Employee Housing Fund	Total Internal Service Funds
Operating activities			
Cash received from quasi-external operating activities	\$ 22,081,131	\$ 187,887	\$ 22,269,018
Cash payments to suppliers for goods and benefits	(18,303,952)	(166,824)	(18,470,776)
Net cash from (used for) operating activities	<u>3,777,179</u>	<u>21,063</u>	<u>3,798,242</u>
Noncapital financing activities			
Transfers (to) from other funds	-	4,000,000	4,000,000
Net cash from (used for) noncapital financing activities	<u>-</u>	<u>4,000,000</u>	<u>4,000,000</u>
Investing activities			
Interest and dividends received on investments	36,815	1,282	38,097
Purchase of investments	(2,878,741)	(4,000,000)	(6,878,741)
Net cash from (used for) investing activities	<u>(2,841,926)</u>	<u>(3,998,718)</u>	<u>(6,840,644)</u>
Net change in cash and cash equivalents	935,253	22,345	957,598
Cash and cash equivalents, beginning of year	<u>1,596,510</u>	<u>329,508</u>	<u>1,926,018</u>
Cash and cash equivalents, end of the year	<u>\$ 2,531,763</u>	<u>\$ 351,853</u>	<u>\$ 2,883,616</u>
Reconciliation of operating loss to net cash from (used for) operating activities			
Operating income	\$ 2,899,971	\$ 60,829	\$ 2,960,800
Depreciation	-	28,827	28,827
Change in assets and liabilities			
(Increase) decrease in due from other funds	1,670,252	-	1,670,252
(Increase) decrease in other receivables	-	(1,282)	(1,282)
Decrease in prepaid items	40	(32,000)	(31,960)
Increase (decrease) in accounts payable	(521,389)	(35,311)	(556,700)
Decrease in due to other funds	(66,405)	-	(66,405)
Decrease in payable from restricted assets	(205,290)	-	(205,290)
Net cash from (used for) operating activities	<u>\$ 3,777,179</u>	<u>\$ 21,063</u>	<u>\$ 3,798,242</u>

Year Ended June 30,	1	2	3
	Tax Rates		Assessed/Appraised
	Maintenance	Debt Service	Value For School Tax Purposes
2010 and prior years	\$ Various	\$ Various	\$ Various
2011	1.04005	0.1010	10,879,019,756
2012	1.04005	0.1000	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 (School year under audit)	1.04005	0.0800	25,295,797,904
1000 Totals			

Midland Independent School District
Schedule of Delinquent Taxes Receivable (Exhibit J-1)
Year Ended June 30, 2019

10 Beginning Balance 7/1/2018	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 6/30/2019
\$ 195,686		5,233	508	\$ (33,819)	\$ 156,126
59,129		2,837	276	(2,997)	53,019
67,957		2,561	246	(2,734)	62,416
234,756		(1,338)	(116)	(169,410)	66,800
291,636		(1,683)	(162)	(191,011)	102,470
441,364		105,186	10,114	(88,931)	237,133
852,924		214,383	20,613	(227,129)	390,799
1,972,673		355,341	27,333	(438,642)	1,151,357
6,269,514		1,659,606	139,624	(3,505,269)	965,015
-	277,571,957	253,912,363	19,530,786	594,668	4,723,476
\$ 10,385,639	\$ 277,571,957	\$ 256,254,489	\$ 19,729,222	\$ (4,065,274)	\$ 7,908,611

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, 2019

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
Revenues					
5700	Local and intermediate revenues	\$19,279,008	\$19,905,688	\$20,374,062	\$ 468,374
5800	State program revenues	-	-	213,946	213,946
5020	Total revenues	<u>19,279,008</u>	<u>19,905,688</u>	<u>20,588,008</u>	<u>682,320</u>
Expenditures					
Debt service:					
0071	Principal on long-term debt	7,510,000	7,510,000	7,510,000	-
0072	Interest on long-term debt	9,169,600	9,169,600	9,169,600	-
0073	Issuance costs and fees	5,000	38,835	36,438	2,397
	Total debt service	<u>16,684,600</u>	<u>16,718,435</u>	<u>16,716,038</u>	<u>2,397</u>
6030	Total expenditures	<u>16,684,600</u>	<u>16,718,435</u>	<u>16,716,038</u>	<u>2,397</u>
1100	(Deficiency) excess of revenues (under) over expenditures	<u>2,594,408</u>	<u>3,187,253</u>	<u>3,871,970</u>	<u>684,717</u>
1200	Net change in fund balance	2,594,408	3,187,253	3,871,970	684,717
0100	Fund balance, beginning	<u>9,168,987</u>	<u>9,168,987</u>	<u>9,168,987</u>	<u>-</u>
3000	Fund balance, ending	<u>\$11,763,395</u>	<u>\$12,356,240</u>	<u>\$13,040,957</u>	<u>\$ 684,717</u>



Federal Awards Section
Year Ended June 30, 2019

Midland Independent School District



CPAs & BUSINESS ADVISORS

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 units, 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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 22, 2019.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

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

Abilene, Texas
October 22, 2019



Independent Auditor's Report on Compliance for the 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 the 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 the District's major federal program for the year ended June 30, 2019. The District's major federal program is 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 the District's major federal program 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 the 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 its major Federal program for the year ended June 30, 2019.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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.



Abilene, Texas
October 22, 2019

Midland Independent School District
Schedule of Expenditures of Federal Awards (Exhibit K-1)
Year Ended June 30, 2019

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 Education				
Child Nutrition Cluster				
240	National School Breakfast Program	10.553	71401901	\$ 2,706,204
240	National School Lunch Program - Cash Assistance*	10.555	71301901	5,733,981
240	National School Lunch Program - Noncash Assistance*	10.555	71301801	563,369
242	Summer Food Service Program for Children	10.559	81085391	40,591
Total Child Nutrition Cluster				<u>9,044,145</u>
Total U.S. Department of Agriculture				<u>9,044,145</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	18610101165901	1,244
211	Title I. Part A - Improving Basic Programs	84.010A	19610101165901	3,701,528
288	Title I, Transformation Zone	84.010A	186101217110004	2,342,159
288	Title I, School Transformation	84.010A	196101427110015	262,413
296	Title I, 1003(A). Priority and Focus School Grant	84.010A	18610123165901	45,324
296	Title I, 1003(A). Priority and Focus School Grant	84.010A	19610123165901	450,349
Total Title I Grants to Local Educational Agencies (CFDA 84.010A)				<u>6,803,017</u>
Title IV Grants to Local Educational Agencies				
287	Title IV, Part A, Subpart 1	84.424A	18680101165901	79
287	Title IV, Part A, Subpart 1	84.424A	19680101165901	212,617
Total Title IV Grants to Local Educational Agencies (CFDA 84.424A)				<u>212,696</u>
Special Education Cluster (IDEA)				
224	Special Education Grants to States**	84.027A	186600011659016600	2,018,918
224	Special Education Grants to States**	84.027A	196600011659016600	1,503,068
225	Special Education Preschool Grants***	84.173A	186610011659016000	154,286
225	Special Education Preschool Grants***	84.173A	196610011659016000	59,638
Total Special Education Cluster (IDEA)				<u>3,735,910</u>
English Language Acquisition State Grants				
263	Title III, Part A - LEP	84.365A	18671001165901	285,932
244	Career and Technical Education -- Basic Grants to States	84.048A	18420006165901	274,693

Midland Independent School District
Schedule of Expenditures of Federal Awards (Exhibit K-1)
Year Ended June 30, 2019

255	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367A	18694501165901	<u>444,841</u>
289	Grants for State Assessments and Related Activities	84.369A	69551702	<u>22,157</u>
	Total U.S. Department of Education			<u>11,779,246</u>
	U.S. Department of Health and Human Services			
	Passed - Through Texas Health and Human Services			
272	Medical Assistance Program (Medicaid cluster)	93.778	529-07-0157-00087	<u>62,745</u>
	Total Medicaid Cluster			<u>62,745</u>
	Total U.S. Department of Health and Human Services			<u>62,745</u>
	Total Expenditures of Federal Awards			<u><u>\$ 20,886,136</u></u>
	* Total National School Lunch Program (CFDA 10.555)			\$ 6,297,350
	** Total Special Education Grants to States (CFDA 84.027A)			3,521,986
	*** Total Special Education Preschool Grants to States (CFDA 84.173A)			213,924

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, 2019. 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	\$	20,886,136
General fund - federal revenue		
School Health and Related Services (SHARS)		3,195,770
Air Force JROTC		101,415
High Quality Pre-K		482
Total federal revenues per Exhibit C-2	\$	24,183,803

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, 2019, the District had food commodities totaling \$686,928 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
Title I, Part A	84.010A
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, 2019

Data Control Codes		Responses
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
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
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 make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end?	\$ 507,776
SF11	Net pension assets (1920) at fiscal year-end.	\$ -
SF12	Net pension liabilities (2540) at fiscal year-end.	\$ 74,470,954
SF13	Pension expense (6147) at fiscal year-end, excluding on-behalf pension expense (6144).	\$ -

Management's Response to Auditor's Findings:
Summary Schedule of Prior Audit Findings
June 30, 2019

Prepared by Management of
Midland Independent School District

Midland Independent School District - Summary Schedule of Prior Audit Findings

Significant Deficiency in Internal Control over Financial Reporting

Finding 2018-A

Initial Fiscal Year Finding Occurred: 2018

Finding Summary: The preparation of financial statements and the prior period adjustment to restate opening fund balances and net position may result in financial statements and related information not being available for management purposes in a timely manner.

Status: Corrective action was taken.