



# MIDLAND COLLEGE

## Financial Statements and Independent Auditor's Report

*For the Fiscal Years Ended*  
**AUGUST 31, 2020 AND 2019**

**#StartStriveSucceed**

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**MIDLAND COLLEGE DISTRICT**

**ORGANIZATIONAL DATA**

**As of August 31, 2020**

**BOARD OF TRUSTEES**

**Officers**

Ms. Linda Cowden	Chairperson
Mr. Paul Morris	Vice-Chairperson
Mr. Ralph Way	Secretary

**Members**

		Term Expires
Mr. Stephen N. Castle	Midland, Texas	2024
Ms. Linda Cowden	Midland, Texas	2022
Mr. Will R. Green	Midland, Texas	2020
Mr. Scott Kidwell	Midland, Texas	2020
Mr. Steven C. Kiser	Midland, Texas	2022
Mr. G. Larry Lawrence	Midland, Texas	2022
Ms. Charlene R. McBride	Midland, Texas	2024
Mr. Paul L. Morris	Midland, Texas	2024
Mr. Ralph Way	Midland, Texas	2020

**ADMINISTRATIVE OFFICERS**

Dr. Steve Thomas	President
Mr. Rick Bender	Vice President of Administrative Services
Dr. Damon Kennedy	Vice President of Instruction
Mr. Shawn Shreves	Vice President of Information Technology
Ms. Julia Vickery	Vice President of Student Services
Dr. Deana Savage	Special Advisor to the President
Ms. Rebecca Bell	Executive Director of Institutional Advancement
Mr. Fabian Hinojos	Executive Director of Facilities
Mr. Michael Dixon	Associative Vice President of Instructional Services
Ms. Tanya Hutchins	Director of Accounting
Ms. Lauren Callo	Associate Director of Accounting

## **Independent Auditors' Report**

The Board of Trustees  
Midland College District  
Midland, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Midland College District (the "District") as of and for the years ended August 31, 2020 and 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.

### **Auditors' 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 District as of August 31, 2020 and 2019, and the respective changes in financial position, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management discussion and on pages 5-16 and the Schedule of District's Proportionate Share of Net Pension Liability and Schedule of District's Contributions for Pensions Teacher Retirement System of Texas on pages 50-51 and the Schedule of District's Proportionate Share of Net OPEB Liability Employee Retirement System of Texas State Retiree Health Plan and Schedule of District's Proportionate Contributions for OPEB Employee Retirement System of Texas State Retiree Health Plan, pages 52-53, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The organizational data and statistical supplement on page 1 and pages 68 through 76 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards, and is also not a required part of the basic financial statements. The accompanying schedule of expenditures of state awards is presented for purposes of additional analysis as required by the *Provisions of the State of Texas Single Audit Circular* and is not a required part of the basic purpose financial statements. In addition, the supplementary data presented in schedules A, B, C and D is presented for additional purposes and is not a required part of the basic financial statements.

The schedules of expenditures of federal and state awards, Schedules E on page 59, F on page 61 and Schedules A, B, C and D on pages 54 through 58 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 schedules of expenditures of federal and state awards and Schedules A, B, C and D are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Matters (Continued)**

*Other Information (Continued)*

The Organizational Data and Statistical Supplement, Schedules 1 through 9 on pages 1 and 68 thru 76 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Audit Firm Merger*

The financial statements of the District as of and for the year ended August 31, 2019, were audited by Johnson, Miller & Co., CPA's PC, who merged with Whitley Penn LLP as of November 16, 2020, and whose report dated December 12, 2019, expressed an unmodified opinion on those statements.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report December 15, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Whitley Penn LLP

Midland, Texas  
December 15, 2020



### Overview of the Financial Statements and Financial Analysis

The Management's Discussion and Analysis is designed to provide an easy to read analysis of Midland College District's financial activities for the years ended August 31, 2020, 2019 and 2018. This overview is based on facts, decisions and conditions known as of the date of the independent auditor's report. There are three financial statements presented: the Statements of Net Position, the Statements of Revenues, Expenses, and Changes in Net Position and the Statements of Cash Flows. These statements provide both long-term and short-term financial information on the District as a whole and should be read in conjunction with the notes to the basic financial statements.

Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the preparers.

### Financial and Enrollment Highlights

- The District's total net position was \$90.3 million in 2020 compared to \$85.7 million in 2019. Financial standing was strengthened as total net position increased by approximately \$4.6 million during fiscal year 2020 and by approximately \$10.2 million during fiscal year 2019.
- The net assessed valuation of the tax district increased by approximately \$9.9 billion or 37%, from 2019 to 2020 and increased by \$3.9 billion or 17% from 2018 to 2019. Taxable values were approximately \$36.6 billion in 2020 and \$26.8 billion in 2019.
- Bonded indebtedness decreased by approximately \$3.4 million in fiscal year 2020 and by approximately \$3.3 million during fiscal year 2019.
- The annual unduplicated head count of credit students decreased by 636 in 2020 and by 156 in 2019. The annual duplicated head count of credit students decreased by 82 in 2020 and by 403 in 2019. Total contact hours decreased by approximately 262,000 in 2020 and by approximately 95,000 in 2019.

### The Statements of Net Position

The Statements of Net Position includes all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector organizations. Net position - the difference between assets and deferred outflows of resources, less liabilities and deferred inflows of resources is one way to measure the financial health of the District. The purpose of the Statements of Net Position is to present a fiscal snapshot of the District.

From the data presented, readers of the Statements of Net Position are able to determine the resources that are available to continue the operations of the institution. Readers are also able to determine the amount the institution owes vendors, bondholders and lending institutions.

**The Statements of Net Position (Continued)**

During 2020 total cash and investments decreased as funds were used to relieve construction liabilities accrued at the end of 2019 and to complete the June & Frank Cowden Dining Hall. Current liabilities were further reduced as the unearned revenue related to the receipt of insurance proceeds in 2019 was reduced in 2020 as these funds were expended on roofing repairs. In addition, cash and investments were reduced to fund roofing repairs on most of the main campus buildings and to fund paving projects. Roofing repairs were funded by insurance proceeds received in 2019, and paving projects were funded by a 2019 grant from the Midland County Commissioners Court.

Capital assets increased in 2020 by approximately \$3.1 million. This included \$7.7 million in capital additions net of depreciation totaling approximately \$4.5 million.

<b>Condensed Statements of Net Position</b>					
(in thousands)					
	<b>Fiscal Year</b>			<b>Increase/(Decrease)</b>	
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2019 to 2020</b>	<b>2018 to 2019</b>
<b>Assets</b>					
Current Assets	\$ 52,872	51,887	32,741	985	19,146
Noncurrent Assets	7,766	12,276	16,201	(4,510)	(3,925)
Capital Assets - (Non-current)	101,715	98,577	96,202	3,138	2,375
<b>Total Assets</b>	<b>162,353</b>	<b>162,740</b>	<b>145,144</b>	<b>(387)</b>	<b>17,596</b>
<b>Deferred Outflows of Resources</b>	<b>16,851</b>	<b>17,630</b>	<b>6,387</b>	<b>(779)</b>	<b>11,243</b>
<b>Liabilities:</b>					
Current Liabilities	14,552	18,137	9,695	(3,585)	8,442
Net Pension Liability	10,751	11,381	6,689	(630)	4,692
Other Post Employment Benefits	29,159	26,853	22,544	2,306	4,309
Other Noncurrent Liabilities	22,509	25,964	29,406	(3,455)	(3,442)
<b>Total Liabilities</b>	<b>76,971</b>	<b>82,335</b>	<b>68,334</b>	<b>(5,364)</b>	<b>14,001</b>
<b>Deferred Inflows of Resources</b>	<b>11,911</b>	<b>12,294</b>	<b>7,658</b>	<b>(383)</b>	<b>4,636</b>
<b>Net Position:</b>					
Invested in capital assets, net of related debt	77,776	71,521	66,158	6,255	5,363
Restricted-Nonexpendable	5,366	5,298	5,168	68	130
Restricted-Expendable	9,837	11,396	6,026	(1,559)	5,370
Unrestricted	(2,656)	(2,475)	(1,813)	(181)	(662)
<b>Total Net Position</b>	<b>\$ 90,323</b>	<b>85,740</b>	<b>75,539</b>	<b>4,583</b>	<b>10,201</b>
<b>Current Ratio</b>	3.63	2.86	3.38		

The increase in current assets in 2019 is primarily related to an increase in cash and cash equivalents and short-term investments. These assets increased due to (1) the maturity of approximately \$4.5 million in long-term investments that were reinvested in shorter-term investments at year-end, (2) the receipt of \$3.6 million from the Midland College Foundation, Inc. near the end of the year to fund construction of the Cowden Dining Hall, and (3) the receipt of insurance proceeds of approximately \$7.4 million to fund storm repairs.

In 2019 capital assets increased by approximately \$2.3 million net of \$4.6 million in depreciation expense. This increase is due to building additions, including approximately \$4.8 million in capitalized construction costs related to the June & Frank Cowden Dining Hall and approximately \$900 thousand in improvements to the softball complex.



**The Statements of Net Position (Continued)**

Current liabilities increased in 2019 primarily because of large construction invoices received subsequent to the end of the year for work completed during the month of August. In addition, the receipt of \$7.4 million in insurance proceeds were recorded as unearned revenue, as the related repairs will be performed in future periods.

In 2020, the District's proportionate share of OPEB liability was 0.0871% compared to .0920% in 2019. This resulted in the District reporting \$30.1 million as its proportionate share of OPEB liability. This is a \$2.9 million increase from the prior year. The District's pension liability for 2020 decreased by approximately \$630 thousand.

In 2019, the District's proportionate share of the OPEB liability was determined to be 0.0920% compared to 0.0665% in 2018. Accordingly, this liability increased by approximately \$4.6 million in 2019. In addition, deferred outflows and deferred inflows of resources related to this plan increased by approximately \$8.2 million and \$5.5 million respectively.

In 2019, the TRS pension plan made certain changes in assumptions. These changes included a reduction in the long-term expected rate of return from 8% to 7.25% and a reduction of the discount rate from 8.0% to 6.907%. These changes resulted in an increase in the District's net pension liability of approximately \$4.7 million, and an increase in the related deferred outflows of resources of approximately \$3.4 million and a decrease in the related deferred inflows of resources of approximately \$903 thousand.

**Net Position**

Net position is divided into three major categories. The first category, net investment in capital assets, reflects the institution's equity in property, plant and equipment. The next category, restricted net position, is further divided into nonexpendable and expendable. The corpus, or nonexpendable restricted resources, is only available for investment purposes. Expendable restricted net position is available for expenditure by the institution, but must be spent for purposes determined by donors and/or external entities that have placed time or purpose restrictions on the use of the funds. The final category is unrestricted net position, which is available to the institution for any lawful purpose.

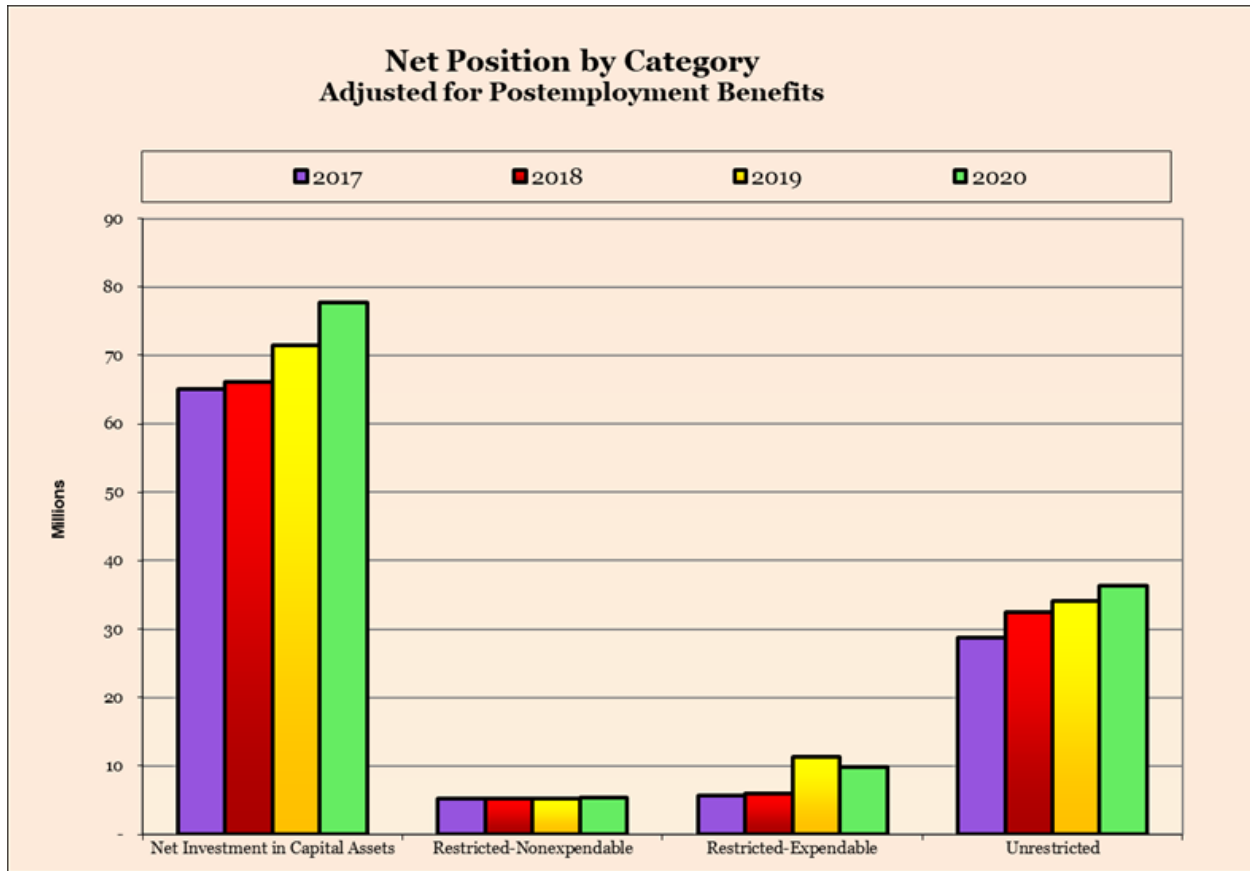
In 2015, the District adopted GASB 68, *Accounting and Financial Reporting for Pensions*. The adoption of this new accounting standard required the recognition of a cumulative effective adjustment, which resulted in the reduction of the beginning unrestricted net position by approximately \$7.3 million. In 2018, the District adopted GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Because of the adoption of this standard, unrestricted net position was reduced for a cumulative effective adjustment of approximately \$26.5 million. In 2019, the District's proportionate share of OPEB liabilities was increased from 0.06650% to 0.0920%, once again resulting in the recognition of substantial changes to the presentation of both the Statements of Financial Position and the Statements of Revenues, Expenses and Changes in Net Position. Accounting for post-employment benefits has significantly impacted the District's financial statement presentation and has confused and obscured the presentation of the District's core financial operations. The accounting changes described above have resulted in a deficit in unrestricted net position and a substantial decrease in total net position. Expendable net position, specifically unrestricted net position is an important indicator of an entity's financial stability. While the relationship of expendable net position to operating expenses is important, the change in expendable net position over a period of years is equally important. The table on the following page is included to reflect each category of net position including and excluding the effect of changing accounting standards and the impact of post-employment obligations.

**Net Position (Continued)**

When post-employment obligations are excluded, net position as well as unrestricted net position increase in each year presented. This adjusted schedule of net position indicates how net position would be reported without the adoption of GASB 68 and GASB 75. The chart on the following page graphically reflects the growth in each category of net position after adjustment to remove the effects for post-employment benefits.

<b>Schedule of Net Position</b>				
<b>Adjusted for the Effects of Pensions and Other Postemployment Benefits</b>				
<b>(in thousands)</b>				
	<b>2019-20</b>	<b>2018-19</b>	<b>2017-18</b>	<b>2016-17</b>
<b>Schedule of Net Position</b>				
Net investment in capital assets	\$ 77,776	71,521	66,158	65,124
Restricted-Nonexpendable	5,366	5,298	5,168	5,245
Restricted-Expendable	9,837	11,396	6,026	5,649
Unrestricted Net Position (A)	(2,656)	(2,475)	(1,813)	19,544
<b>Total Net Position</b>	<b>90,323</b>	<b>85,740</b>	<b>75,539</b>	<b>95,562</b>
<b>Postemployment Adjustments:</b>				
Add: Compensable Absences-Current	949	834	872	687
Compensable Absences-Noncurrent	1,233	1,192	1,227	1,179
Other Postemployment Benefits Liability-Current (GASB 75)	954	401	115	-
Other Postemployment Benefits Liability-Noncurrent (GASB 75)	29,159	26,853	22,544	-
Net Pension Liability (GASB 68)	10,751	11,381	6,689	7,939
Deferred Inflows-Other Postemployment Benefits (GASB 75)	9,246	10,549	5,010	-
Deferred Inflows- Pensions (GASB 68)	2,665	1,745	2,648	2,019
Deduct: Deferred Outflows-Other Postemployment Benefits (GASB 75)	(10,970)	(10,917)	(2,704)	-
Deferred Outflows--Pensions (GASB 68)	(4,948)	(5,487)	(2,133)	(2,582)
<b>Net Effect of Pensions and Other Postemployment Obligations (B)</b>	<b>39,039</b>	<b>36,551</b>	<b>34,268</b>	<b>9,242</b>
<b>Schedule of Net Position (Adjusted for Postemployment Obligations)</b>				
Net investment in capital assets	77,776	71,521	66,158	65,124
Restricted-Nonexpendable	5,366	5,298	5,168	5,245
Restricted-Expendable	9,837	11,396	6,026	5,649
Unrestricted Net Position (Adjusted) (A+B)	36,383	34,076	32,454	28,785
<b>Net Position Adjusted for Postemployment Obligations</b>	<b>\$ 129,362</b>	<b>122,291</b>	<b>109,806</b>	<b>104,803</b>

**Net Position (Continued)**



**Statements of Revenues, Expenses and Changes in Net Position**

The Statements of Revenues, Expenses and Changes in Net Position present the operating results of the District, as well as the non-operating revenues and expenses. Generally, operating revenues are those revenues received in exchange for the District providing goods and services. Operating expenses are those amounts paid to acquire or produce the goods and services in return for the operating revenues. Non-operating revenues are funds received with no direct relationship to the goods and services being provided. Accordingly, state appropriations and ad valorem taxes, while budgeted for operations, are classified as non-operating revenue for financial reporting purposes. Accordingly, governmental entities typically report an operating loss for financial reporting purposes.

Revenues and expenses should be considered in total when assessing the change in the District’s financial position. When total revenues exceed total expenses, the result is an increase in net position. When the reverse occurs, the result is a decrease in net position. Further detail is presented in the Statements of Revenues, Expenses and Changes in Net Position and notes to the financial statements.

The following table reflects a summary of the Statements of Revenues, Expenses and Changes in Net Position for the years ended August 31, 2020, 2019 and 2018. This summary indicates the operating loss and the overall increase in net position for each of the years displayed.

**Statements of Revenues, Expenses and Changes in Net Position (Continued)**

<b>Condensed Schedule of Revenues, Expenses and Changes in Net Position</b>					
(in thousands)					
	<b>Fiscal Year</b>			<b>Changes</b>	
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2019 to 2020</b>	<b>2018 to 2019</b>
<b>Operating Revenues and Expenses:</b>					
Operating revenues	\$ 16,277	21,618	17,596	(5,341)	4,022
Operating expenses	64,118	60,126	55,930	3,992	4,196
Operating loss	(47,841)	(38,508)	(38,334)	(9,333)	(174)
<b>Non-Operating Revenues (Expenses):</b>					
State appropriations	9,409	8,526	10,098	883	(1,572)
Ad valorem taxes	33,981	31,104	29,170	2,877	1,934
Federal, non-operating	4,018	4,257	4,477	(239)	(220)
Gifts/Contributions in Aid of construction	5,168	5,045	1,724	123	3,321
Interest on capital related debt	(848)	(1,213)	(1,170)	365	(43)
Other non-operating revenues	695	991	461	(296)	530
Total non-operating revenues, net	52,423	48,710	44,760	3,713	3,950
Increase in net position	4,582	10,202	6,426	(5,620)	3,776
Net position - beginning of year (restated)	85,740	75,539	69,113	10,201	6,426
Net position - end of year	<u>\$ 90,322</u>	<u>\$ 85,741</u>	<u>75,539</u>	<u>4,581</u>	<u>10,202</u>

Major changes in operating and non-operating revenue are as follows:

**2019 to 2020 Changes**

Total revenues decreased by approximately \$2 million in 2020. Of this amount, operating revenues decreased by approximately \$5.3 million and non-operating revenues increased by approximately \$3.4 million. Tuition and fees decreased by approximately \$810 thousand. The decrease in tuition and fees is due to a decrease in enrollment as tuition rates were the same as 2019. Gifts, grants and contracts decreased by approximately \$3.7 million in 2020 compared to 2019. This is because several grants received in 2019 were nonrecurring in nature.

Total ad valorem tax revenues were approximately \$2.9 million or 9.25% higher in 2020 compared to 2019. The net assessed valuation of the District increased in 2020 by approximately \$9.9 billion or 37%. The total tax rate for the District was \$0.091210 per \$100 of valuation compared to \$0.114721 for 2019.

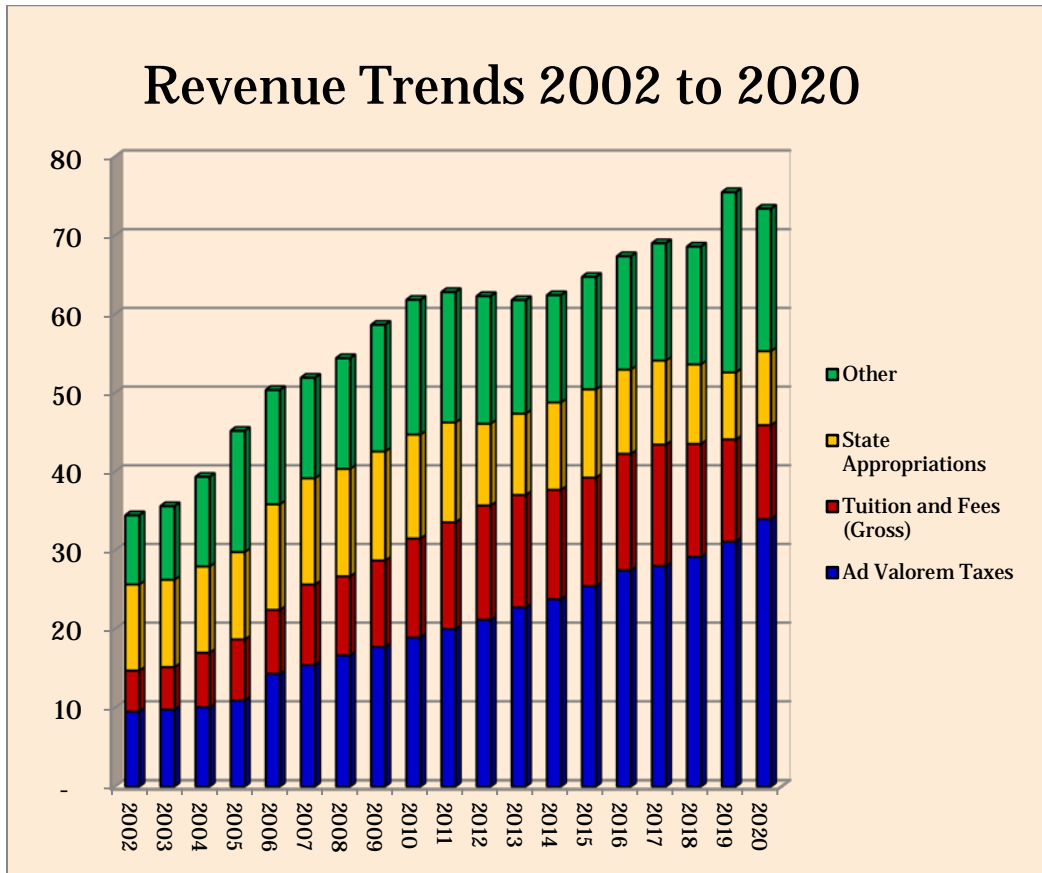
**2018 to 2019 Changes**

Total revenues increased by approximately \$8 million in 2019. Of this amount, operating revenues increased by approximately \$4 million and non-operating revenues increased by approximately \$4 million. Tuition and fees decreased by approximately \$478 thousand. The decrease in tuition and fees is due to a decrease in enrollment as tuition rates were the same as 2018. Gifts, grants and contracts increased by \$7.6 million in 2019 compared to the 2018. This is because the District received \$3.6 million toward the construction of the Cowden Dining Hall, \$2.5 million from Midland County for paving projects, \$600 thousand toward a new Engineering Academy initiative and several grants related to the implementation of a new Pre-K program.

**Statements of Revenues, Expenses and Changes in Net Position (Continued)**

Total ad valorem tax revenues were approximately \$1.9 million or 6.6% higher in 2019 compared to 2018. The net assessed valuation of the District increased in 2019 by approximately \$3.9 billion. The total tax rate for the District was \$0.114721 per \$100 of valuation compared to \$0.12525 for 2018.

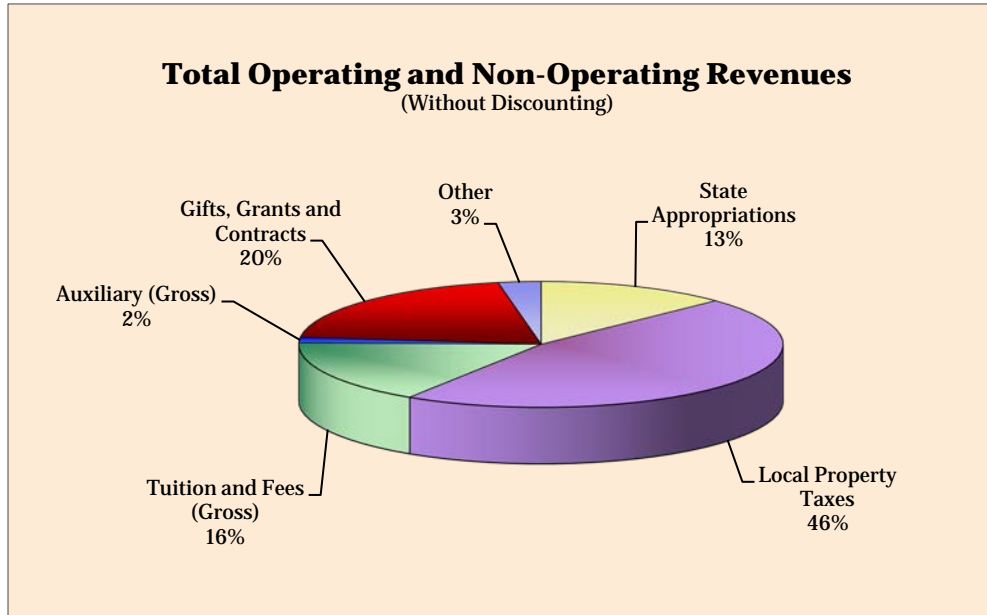
**Revenues**



As illustrated in the preceding chart, local ad valorem taxes have become the District’s largest and most reliable revenue component. State appropriations as a percentage of total revenues has decreased.

The following chart reflects revenues from all sources. For purposes of this presentation, tuition, fees and auxiliary revenues are shown prior to scholarship discounts. The Statements of Revenues, Expenses and Changes in Net Position reflect these revenues net of scholarships.

**Revenues (Continued)**



The following table illustrates the composition of total revenues for 2020 compared to 2002.

	Percentage of Total Revenues	
	2020	2002
State Appropriations	13%	30%
Local Property Taxes	46%	26%
Tuition and Fees (Gross)	16%	14%
Gifts Grants & Contracts	20%	23%
Auxiliary Services	2%	3%
Other	3%	4%
	<u>100%</u>	<u>100%</u>

**Operating Expenses by Functional Classification**

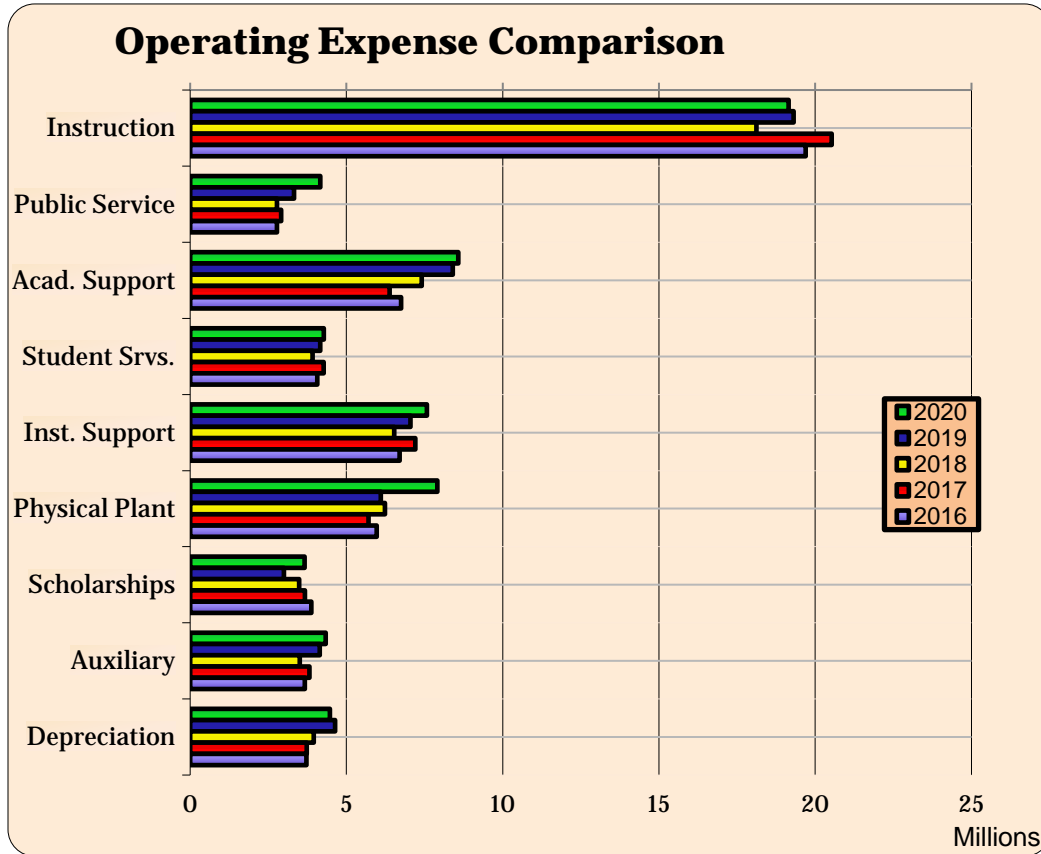
Functional classifications are the traditional categories that have been used to report expenses in financial statements. These categories represent the types of programs and services provided. The chart on the following page shows the District’s 2020 expenses compared to the 2019, 2018, 2017 and 2016 expenses.

Total operating expenses were approximately \$4 million more in 2020 than in 2019. Of this amount, physical plant expenses exceeded 2019 expenses by approximately \$1.8 million. This increase was related to paving and remodeling projects.

Total operating expenses were approximately \$4.2 million more in 2019 than in 2018. Of this amount, the proportionate share of post-retirement expenses was approximately \$1.6 million more in 2019 than in 2018. Depreciation expense exceeded the 2018 amounts by approximately \$684 thousand. In addition, there were grant expenses related to the start-up cost of the engineering academy and pre-K charter school.

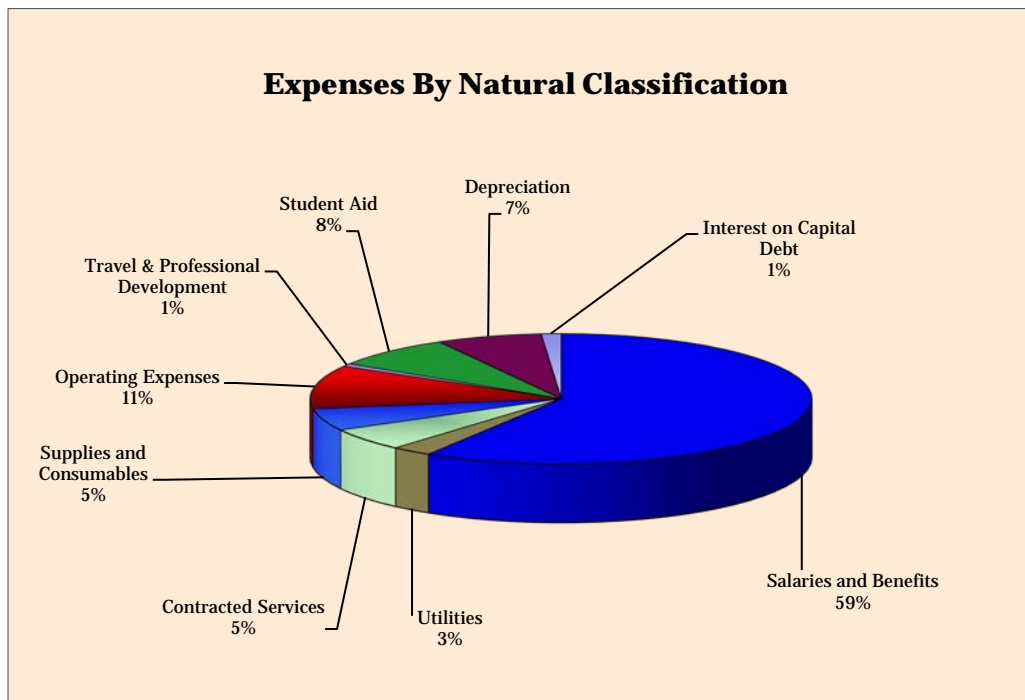


**Operating Expenses by Functional Classification (Continued)**



**Expenses by Natural Classification**

The chart below reflects expenditures by natural classification (object).



**Statements of Cash Flows**

The Statements of Cash Flows provides information about cash receipts and cash payments during the year. These statements also help users assess the District’s ability to generate net cash flow needed to meet its obligations as they come due and its need for external financing.

<b>Summary of Statement of Cash Flows</b>			
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Cash Provided By (Used in):			
Operating Activities	\$ (43,599,147)	(23,296,045)	(34,235,028)
Non-Capital Financing Activities	44,161,011	42,332,811	41,124,950
Capital and Related Financing Activities	(4,890,836)	(4,676,882)	(3,369,247)
Investing Activities	5,130,171	(6,369,185)	795,636
Changes in Cash and Cash Equivalents	<u>\$ 801,199</u>	<u>7,990,699</u>	<u>4,316,311</u>

The primary cash receipts from operating activities consist of tuition and fees, housing, board and grant revenue. Cash outlays include payment of wages, benefits, supplies, utilities and scholarships. State appropriations and ad valorem taxes are the primary source of non-capital financing. Accounting standards require that these sources of revenue be reported in the statements as non-operating, even though they are considered to be operating revenues in the District’s budget.

Cash flows from Capital and Related Financing Activities include proceeds from the issuance of debt, principal and interest disbursements and payments for buildings and other capital acquisitions.

Cash flows from investing activities represent the annual effect of the purchase, sale and maturity of investments, along with interest received from those investments.

**Capital Assets and Debt Administration**

The following table reflects the District’s year-end capital asset balances, net of accumulated depreciation. Capital asset additions totaled approximately \$7.7 million and \$7.1 million in 2020 and 2019, respectively. Depreciation expense was approximately \$4.5 million and \$4.6 million in 2020 and 2019 respectively.

<b>Schedule of Capital Assets</b>			
(in thousands)			
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Land	\$ 2,550	2,550	2,550
Library Books & Collections	438	434	426
Construction in Progress	31	4,807	287
Buildings & Improvements	86,163	77,594	79,140
Land Improvements	7,615	7,997	8,362
Furniture, Equipment, Vehicles	4,918	5,195	5,436
	<u>\$ 101,715</u>	<u>98,577</u>	<u>96,201</u>

**Capital Assets and Debt Administration (Continued)**

During 2016, Moody’s Investors Service (“Moody’s”) and Standard and Poor’s (S&P) confirmed their bond ratings of “Aa2” and “AA”, respectively. In 2016, Revenue Refunding Bonds were issued for the purpose of refunding a portion of the 2008 Revenue Bonds. Outstanding debt was approximately \$24.8 million and \$28.2 million as of August 31, 2020 and 2019, respectively.

<b>Schedule of Outstanding Debt</b>			
(in thousands)			
	<u>2020</u>	<u>2019</u>	<u>2018</u>
General Obligation Bonds	\$ 16,806	19,310	21,752
Revenue Bonds	7,965	8,870	9,740
	<u>\$ 24,771</u>	<u>28,180</u>	<u>31,492</u>

**Economic Factors That Will Affect the Future**

The economic condition of the District is influenced by the State of Texas, Midland County and the Permian Basin region. In prior years, this section discussed not only the economic benefits of being located in a robust energy centric economy, but also the associated challenges of maintaining enrollment and retaining a quality workforce in that economy. This report will not repeat the same theme of previous years.

No one has been unaffected by the COVID-19 pandemic, and certainly, the District is no exception. In addition to the severe damage inflicted on the global economy by the pandemic, the Permian Basin has additionally been impacted by the collapse of oil prices brought on by geopolitical events. In preceding years, Midland boasted of one of the lowest unemployment rates in the nation, which was consistently reported at or below 3%. In contrast, the September 2020 unemployment rate was 9.6% after posting a rate of 12.6% in May of 2020.

In response to the COVID-19 crisis, spring classes were converted to an exclusively online format. Classes that could not be effectively delivered online were cancelled. Although some on-campus offerings have been made available in the 2020-2021 academic year, COVID-19 considerations continue to require limitations to in-person instruction.

As a large portion of course delivery continues to be online and on-campus activities have been constrained by social distancing requirements; revenues from tuition, fees, room and board have declined. Thus far, it seems that the 2020-21 budget will be able to withstand the challenges posed by the anticipated declines in these revenues.

Despite the unprecedented impact of the COVID-19 pandemic and the collapse of oil prices, the District maintained a sound financial position in fiscal year 2019-2020. Net position, including and excluding the effects of GASB No. 68 and 75, improved.

The District’s net assessed valuation increased by approximately 2.89% in 2020-21 after increasing by 37% in 2019-20. However, management anticipates that assessed values for 2021-22 will likely decrease.

**Economic Factors That Will Affect the Future (Continued)**

Unrestricted revenues for fiscal year 2020-2021 have been budgeted at 3% below the 2019-2020 budget with less revenue projected from tuition and fees and more revenue being generated by local property taxes. Corresponding reductions were made for major repairs and technology replacements. State appropriations for 2020-2021 are expected to be unchanged.

Revenue for 2021-2022 and beyond may face pressures as increases in state appropriations seem unlikely and decreases are a possibility. Tuition and fee revenues will be constrained by the conditions of the pandemic, but are not expected to continue to decline. While property values will likely see some decrease, the District has some flexibility in this regard because the current tax rate is very low. While it is not possible to predict the effects of future economic conditions, the District has sound financial resources and a stable financial base to support its programs and services.

The District is not aware of any additional facts, decisions or conditions that are expected to have a significant impact on the financial position or results of operations during 2020-2021 or subsequent fiscal years.

**Requests for Information**

This annual financial report is designed to provide interested stakeholders with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions concerning the information provided in this report or requests for additional information should be addressed to the Vice President of Administrative Services at Midland College, 3600 N. Garfield, Midland, TX 79705.

/S/Rick Bender  
Rick Bender  
Vice President of Administrative Services

## **FINANCIAL STATEMENTS**

**Midland College District**

**Exhibit 1**

**STATEMENTS OF NET POSITION**

**August 31,**

	<u>2020</u>	<u>2019</u>
<b>ASSETS:</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 25,850,486	26,544,671
Short-term investments	24,182,899	22,452,044
Accounts receivable, net	1,330,447	2,355,821
Inventories	2,538	5,701
Prepaid expenses	1,485,038	508,425
Deposits	<u>20,472</u>	<u>20,472</u>
Total current assets	<u>52,871,880</u>	<u>51,887,134</u>
<b>Non-current Assets:</b>		
Restricted cash and cash equivalents	2,681,958	1,186,574
Endowment investments	4,443,626	5,848,032
Other long-term investments	571,303	5,175,262
Net capital assets	101,714,733	98,577,437
Other assets-split interest agreements	<u>69,117</u>	<u>65,205</u>
Total non-current assets	<u>109,480,737</u>	<u>110,852,510</u>
Total Assets	<u>162,352,617</u>	<u>162,739,644</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Deferred outflows on refunding of debt	933,908	1,225,607
Deferred outflows related to pensions	4,947,473	5,486,604
Deferred outflows related to other post-employment benefits	<u>10,970,026</u>	<u>10,917,268</u>
Total deferred outflows	<u>16,851,407</u>	<u>17,629,479</u>
Total assets and deferred outflows	\$ <u>179,204,024</u>	\$ <u>180,369,123</u>
<b>LIABILITIES:</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 1,450,523	3,093,459
Accrued liabilities	1,584,010	1,023,866
Accrued compensable absences – current portion	948,468	834,239
Net other post-employment benefits liability – current portion	954,419	400,906
Funds held for others and agencies	353,732	518,844
Unearned revenues	5,743,010	8,825,729
Bonds payable – current portion	3,494,730	3,409,032
Deposits	<u>22,905</u>	<u>31,195</u>
Total current liabilities	<u>14,551,797</u>	<u>18,137,270</u>
<b>Non-current Liabilities:</b>		
Accrued compensable absences – non-current portion	1,233,070	1,192,302
Net pension liability	10,751,196	11,381,158
Net other post-employment benefits liability – non-current portion	29,158,756	26,853,437
Bonds payable – non-current portion	<u>21,275,978</u>	<u>24,770,708</u>
Total non-current liabilities	<u>62,419,000</u>	<u>64,197,605</u>
Total Liabilities	<u>76,970,797</u>	<u>82,334,875</u>



**Midland College District****Exhibit 1****STATEMENTS OF NET POSITION (CONTINUED)****August 31,**

	<u>2020</u>	<u>2019</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows related to pensions	\$ 2,665,023	1,744,892
Deferred inflows related to other post-employment benefits	<u>9,245,809</u>	<u>10,549,180</u>
	<u>11,910,832</u>	<u>12,294,072</u>
NET POSITION:		
Net investment in capital assets	77,776,063	71,521,434
Restricted for:		
Nonexpendable:		
Endowments	5,366,105	5,297,604
Expendable:		
Student aid	2,916,602	3,552,927
Instructional programs	6,904,433	7,743,654
Debt service	15,460	99,606
Unrestricted	<u>(2,656,268)</u>	<u>(2,475,049)</u>
Total Net Position (Schedule D)	\$ <u>90,322,395</u>	<u>85,740,176</u>
Total liabilities, deferred inflows, and net position	\$ <u><u>179,204,024</u></u>	<u><u>180,369,123</u></u>

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

**Midland College District**

**Exhibit 2**

**STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION**

**Years ended August 31,**

	2020	2019
<b>OPERATING REVENUES</b>		
Tuition and fees (net of discounts of \$3,560,161 and \$3,811,482, respectively)	\$ 8,360,389	9,170,673
Federal grants and contracts	1,485,461	897,225
State grants and contracts	558,248	756,389
Local grants and contracts	1,628,647	5,397,628
Non-governmental grants and contracts	2,049,765	2,318,043
Sales and services of educational activities	448,322	691,426
Investment income – program restricted	340,107	358,251
Auxiliary enterprises (net of discounts of \$294,827 and \$150,097, respectively)	762,078	1,034,069
General operating revenues	643,959	993,907
Total operating revenues (Schedule A)	16,276,976	21,617,611
<b>OPERATING EXPENSES</b>		
Instruction	19,148,255	19,308,233
Public service	4,163,322	3,323,193
Academic support	8,579,039	8,402,345
Student services	4,275,846	4,161,758
Institutional support	7,574,539	7,048,634
Operation and maintenance of plant	7,908,922	6,099,484
Scholarships and fellowships (net of discounts of \$3,560,760 and \$3,573,726, respectively)	3,661,002	2,999,472
Auxiliary enterprises (net of discounts of \$-0- and \$150,097, respectively)	4,336,307	4,145,733
Depreciation	4,470,860	4,637,489
Total operating expenses (Schedule B)	64,118,092	60,126,341
<b>OPERATING LOSS</b>	(47,841,116)	(38,508,730)
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
State appropriations	9,409,069	8,526,330
Maintenance ad valorem taxes	31,160,243	28,295,755
Debt service ad valorem taxes	2,820,274	2,807,826
Federal revenue, non-operating	4,017,991	4,256,450
Gifts	1,145,208	1,411,740
Investment income	662,157	998,289
Contributions in aid of construction	4,022,951	3,600,000
Interest on capital related debt	(847,673)	(1,212,483)
Loss on disposal of fixed assets	(8,837)	(6,730)
Additions to permanent endowments	41,952	33,095
Net non-operating revenues (Schedule C)	52,423,335	48,710,272

**Midland College District**

**Exhibit 2**

**STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION (CONTINUED)**

**Years ended August 31,**

	<u>2020</u>	<u>2019</u>
Increase in net position	\$ 4,582,219	10,201,542
NET POSITION – BEGINNING OF YEAR	<u>85,740,176</u>	<u>75,538,634</u>
NET POSITION – END OF YEAR	<u>\$ 90,322,395</u>	<u>85,740,176</u>

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

Midland College District

Exhibit 3

STATEMENTS OF CASH FLOWS

Years ended August 31,

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from students and other customers	\$ 11,490,444	10,834,201
Receipts from grants and contracts	5,674,144	9,183,627
Payments to suppliers for goods and services	(22,258,551)	(15,249,680)
Payments to or on behalf of employees	(34,809,398)	(33,777,176)
Payments for scholarships and fellowships	(4,907,657)	(2,866,627)
Other receipts	<u>1,211,871</u>	<u>8,579,610</u>
Net cash used in operating activities	<u>(43,599,147)</u>	<u>(23,296,045)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Receipts from state appropriations	8,052,138	8,458,752
Receipts from ad valorem taxes – operating and maintenance	31,051,018	28,451,725
Receipts from non-operating federal revenue	4,017,991	4,256,450
Receipts from gifts or grants for other than capital purposes	1,145,208	1,411,740
Receipts from student organizations and other agency transactions	339,457	482,843
Payments to student organizations and other agency transactions	(482,843)	(758,103)
Receipts from private gifts for endowment purposes	<u>38,042</u>	<u>29,404</u>
Net cash provided by non-capital financing activities	<u>44,161,011</u>	<u>42,332,811</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Receipts from ad valorem taxes – debt services	2,812,868	2,828,407
Receipts from capital grants and gifts	4,022,951	3,600,000
Purchases of capital assets	(7,616,993)	(7,019,781)
Payments on capital debt – principal	(3,240,000)	(3,100,000)
Payments on capital debt – interest	<u>(869,662)</u>	<u>(985,508)</u>
Net cash used in capital and related financing activities	<u>(4,890,836)</u>	<u>(4,676,882)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	57,884,453	54,018,125
Interest on investments	852,661	907,937
Purchase of investments	<u>(53,606,943)</u>	<u>(61,295,247)</u>
Net cash provided by (used in) investing activities	<u>5,130,171</u>	<u>(6,369,185)</u>
Increase in cash and cash equivalents	<u>801,199</u>	<u>7,990,699</u>
Cash and cash equivalents – September 1	<u>27,731,245</u>	<u>19,740,546</u>
Cash and cash equivalents – August 31	<u>\$ 28,532,444</u>	<u>27,731,245</u>

**Midland College District****Exhibit 3****STATEMENTS OF CASH FLOWS (CONTINUED)****Years ended August 31,**

	<u>2020</u>	<u>2019</u>
Reconciliation of net operating loss to net cash used by operating activities:		
Operating loss	\$ (47,841,116)	(38,508,730)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation expense	4,470,860	4,637,489
Payments made directly by state for benefits	1,356,931	67,579
Changes in related assets and liabilities:		
Receivables, net	985,165	211,169
Prepaid expenses	(1,032,002)	(209,598)
Inventories	3,163	(337)
Deferred outflows	486,373	(11,566,980)
Accounts payable	(1,045,559)	1,482,612
Accrued liabilities	2,328,001	9,260,077
Compensated absences	154,997	(71,682)
Unearned revenue	(3,082,720)	6,766,233
Deferred inflows	<u>(383,240)</u>	<u>4,636,123</u>
Net cash used in operating activities	\$ <u><u>(43,599,147)</u></u>	<u><u>(23,296,045)</u></u>

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

# Midland College District

## NOTES TO FINANCIAL STATEMENTS

August 31, 2020 and 2019

### NOTE 1 – REPORTING ENTITY

Midland College District (the “District”) was established in 1972, in accordance with the laws of the State of Texas, to serve the educational needs of the public and the surrounding communities. The District is considered to be a special purpose, primary government according to the definition in Governmental Accounting Standards Board (“GASB”) Statement No. 14. While the District receives funding from local, state and federal sources, and must comply with the spending, reporting and record keeping requirements of these entities, it is not a component unit of any other governmental entity.

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Reporting Guidelines*

The significant accounting policies followed by the District in preparing these financial statements are in accordance with the *Texas Higher Education Coordinating Board’s Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges*. The District is reported as a special-purpose government engaged in business-type activities (“BTA”).

#### *Tuition Discounting*

#### Texas Public Education Grants

Certain tuition amounts are required to be set aside for use as scholarships by qualifying students. This set aside, called the Texas Public Education Grant (“TPEG”), is shown with tuition and fee revenue amounts as a separate set aside amount (Texas Education Code §56.033). When the award for tuition is used by the student, the amount is recorded as tuition and a corresponding amount is recorded as a tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

#### Title IV, Higher Education Act (HEA) Program Funds

Certain Title IV HEA Program funds are received by the District to pass through to the student. These funds are initially received by the District and recorded as restricted revenue. When the student is awarded and uses these funds for tuition and fees, the amounts are recorded as revenue and a corresponding amount is recorded as a tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

#### Other Tuition Discounts

The District awards tuition and fee scholarships from institutional funds to students who qualify. When these amounts are used for tuition and fees, the amounts are recorded as tuition and fee revenue and a corresponding amount is recorded as a tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

#### *Basis of Accounting*

The financial statements of the District have been prepared on the accrual basis of accounting. All revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year’s budget. Encumbrances outstanding at year end, that were provided for in the subsequent year’s budget, are reported as designations of net assets since they do not constitute expenditures or liabilities.



## Midland College District

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2020 and 2019

#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *Cash and Cash Equivalents*

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.

##### *Deferred Inflows*

In addition to liabilities, the District is aware that the statement of Net Position will sometimes report a separate section of deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so, is not recognized as an inflow of resources (revenue) until that time. Governments are permitted only to report deferred inflows in circumstances specifically authorized by GASB.

##### *Deferred Outflows*

In addition to assets, the District is aware that the statement of Net Position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so, will not be recognized as an outflow of resources (expense) until then. Governments are permitted only to report deferred outflows in circumstances specifically authorized by GASB.

##### *Pledges*

The District recognizes pledges in the financial statements when all applicable eligibility requirements, including time requirements, are met. Pledges are reported as restricted revenues prior to the fulfillment of all applicable eligibility requirements.

##### *Unearned Revenue and Prepaid Expenditures*

Unearned revenue relates to student tuition and fees received during the current fiscal period for classes to be held in the following period. Similarly, prepaid expenditures represent funds expended in the current period relating to the following period.

##### *Inventories*

Inventories consist of consumable physical plant and food service supplies. Inventories are stated at the lower of cost or market, determined using the first-in, first-out method. They are charged to expense as consumed.

##### *Investments*

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments are reported at fair value. Fair values are based on published market rates. Short-term investments have an original maturity greater than three months but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase. The District considers investments in public fund investment pools to be short-term.

##### *Budgetary Data*

Each community college district in Texas is required by law to prepare an annual operating budget of anticipated revenues and expenditures for current operating funds for the fiscal year beginning September 1. The budget, which is prepared on the accrual basis of accounting, is adopted by the District's Board of Trustees. A copy of the approved budget must be filed with the Texas Higher Education Coordinating Board, Legislative Budget Board, Legislative Reference Library and Governor's Office of Budget and Planning by December 1.

## Midland College District

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2020 and 2019

#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *Capital Assets*

Capital assets are recorded at cost. Donated capital assets are valued at their estimated fair market value on the date received. For equipment, the District's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life in excess of one year. The District reports depreciation under a single-line as a business-type unit. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The following lives are used:

Buildings	50 years
Facilities and Other Improvements	20 years
Library Books	15 years
Furniture, Machinery, Vehicles and Other Equipment	10 years
Telecommunications and Peripheral Equipment	5 years

##### *Estimates*

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

##### *Operating and Non-Operating Revenue and Expense Policy*

The District distinguishes operating revenues and expenses from non-operating items. The District reports as a business type activity and as a single, proprietary fund. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues are tuition and related fees. The major non-operating revenues are state appropriations and property tax collections. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. The operations of the dining hall and bookstore are not performed by the college.

##### *Characterization of Title IV Grant Revenue*

In response to guidance provided by the Government Accounting Standards Board (GASB) as question/answer 7.72.10 in the Implementation Guide, revenue received for federal Title IV grant programs (i.e. Pell grants) is now characterized as non-operating revenue as opposed to operating revenue.

##### *Pensions*

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

## Midland College District

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2020 and 2019

#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *Reclassification*

Certain items in the August 31, 2019 financial statements have been reclassified for comparability purposes with the August 31, 2020 financial statements. These reclassifications had no effect on previously reported changes in net position or on net position.

##### *New Accounting Pronouncements*

##### GASB Statement 84, “*Fiduciary Activities.*”

The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement establishes criteria for identifying fiduciary activities of all state and local governments. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this statement were effective for reporting periods beginning after December 15, 2018. Community college implementation was originally planned for FY 2020 but is now postponed to FY 2021, as a result of GASB 95. Earlier application is encouraged.

##### GASB Statement 87, “*Leases.*”

The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The requirements of this statement were effective for reporting periods beginning after December 15, 2019. Community college implementation was originally planned for FY 2021 but is now postponed to FY 2022, as a result of GASB 95. Earlier application is encouraged.

##### GASB Statement No. 89, “*Accounting for Interest Cost Incurred before the End of a Construction Period.*”

This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this statement were effective for reporting periods beginning after December 15, 2019. Community college implementation was originally planned for FY 2021 but is now postponed to FY 2022, as a result of GASB 95. Earlier application is encouraged and the requirements of this statement should be applied prospectively.

## Midland College District

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2020 and 2019

#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*GASB Statement 91, “Conduit Debt Obligations.”*

The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers’ conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period. The requirements of this statement were effective for reporting periods beginning after December 15, 2020. Community college implementation was originally planned for FY 2022 but is now postponed to FY 2023, as a result of GASB 95. Earlier application is encouraged.

*GASB Statement 92, “Omnibus 2020.”*

The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. The statement addresses a variety of topics and includes the following: Statement No. 87, Statement No. 73, Statement No. 74, Statement No. 84, and other topics. The application of this statement is expected to provide more comparable reporting and improve the usefulness for financial statement users. Some requirements of this statement are effective upon issuance, and others were effective for reporting periods beginning after June 15, 2020. Earlier application is encouraged. Community college implementation – certain provisions are effective for FY 2020 and others postponed to FY 2022, as a result of GASB 95.

*GASB Statement 93, “Replacement of Interbank Offered Rates. (IBOR).”*

The objective of this statement is to address accounting and financial reporting implications resulting from global reference rate reform. Government agreements in which variable payments made or received depend on IBOR, most notably the London Interbank Offered Rate (LIBOR), will be affected, as LIBOR will cease to exist at the end of 2021. Rate provisions in Statement Nos. 53 and 87 will also be affected. Most requirements of this statement were effective for reporting periods beginning after June 15, 2020; however, requirements regarding the removal of LIBOR as an appropriate benchmark were effective for reporting periods beginning after December 31, 2021. Community college implementation was originally planned for FY 2021 and is now postponed to FY 2022, as a result of GASB 95. Earlier application is encouraged.

*GASB Statement 94, “Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs).”*

The objective of this statement is to improve financial reporting related to PPPs and APAs by establishing the definitions of these arrangements and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. This statement will enhance the decision usefulness of financial statements by requiring governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. Requirements of this statement were effective for reporting periods beginning after June 15, 2022. Earlier application is encouraged.

## Midland College District

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2020 and 2019

#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*GASB Statement 95, “Postponement of the Effective Dates of Certain Authoritative Guidance.”*

The objective of this statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This is accomplished by postponing the effective dates of certain provisions in statements and implementation guides that first became effective or are scheduled to become effective for reporting periods beginning after June 15, 2018, and later. The effective dates of certain provisions contained in the following pronouncements are postponed by one year: Statement Nos. 83, 84, 88, 89, 90, 91, 92, 93, and Implementation Guide Nos. 2017-3, 2018-1, 2019-1, and 2019-2. The effective dates of the following pronouncements are postponed by 18 months: Statement No. 87 and Implementation Guide No. 2019-3. The requirements of this statement are effective immediately.

*GASB Statement 96, “Subscription-Based Information Technology Arrangements (SBITA).”*

The objective of this statement is to (1) define a SBITA; (2) establish that SBITA results in a right-to-use subscription (intangible) asset and a corresponding subscription liability; (3) provide the capitalization criteria for outlays other than subscription payments; and (4) require note disclosures regarding a SBITA. The statement provides an exception for short-term SBITAs with a maximum contract term of 12 months. Subscription payments for short-term SBITAs should be recognized as outflows of resources. The requirements of this statement are effective for reporting periods beginning after June 15, 2022. Early implementation is encouraged.

*GASB Statement 97, “Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—An Amendment of GASB Statement No. 14 and 84, and a Supersession of GASB Statement No. 32.”*

The primary objectives of this statement are the following: (1) increase consistency and comparability in the reporting of fiduciary component units where the potential component unit does not have a governing board and the primary government performs those duties; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and other employee benefit plans as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The requirements of reporting defined contribution plans, defined contribution OPEB plans, or other employee benefit plans that are administered through trusts are effective immediately. The requirements related to reporting on fiduciary component units and 457 plans are effective for reporting periods beginning after June 15, 2021. Early implementation is encouraged.

#### NOTE 3 – AUTHORIZED INVESTMENTS

The Board of Trustees of the District has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act (Section 2256.001, Texas Government Code). The investments of the District are in compliance with Trustees’ investment policies. Such investments include (1) obligations of the United States or its agencies, (2) direct obligations of the State of Texas or its agencies, (3) obligations of political subdivisions rated not less than A by a national investment rating firm, (4) certificates of deposit and (5) other instruments and obligations authorized by statute.

#### NOTE 4 – DEPOSITS AND INVESTMENTS

The District is authorized to invest in obligations and instruments as defined in the Public Funds Investment Act of 1995 (Section 2256.001, Texas Government Code). Such investments include (1) obligations of the United States or its agencies, (2) direct obligations of the State of Texas or its agencies, (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by this state or the United States or its instrumentalities, (5) obligations of political subdivisions rated not less than A by a national investment rating firm, (6) certificates of deposit, (7) repurchase agreements and (8) other instruments and obligations authorized by statute.

**Midland College District**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**August 31, 2020 and 2019**

**NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)**

**Cash and Short-Term Investments:** Investment policies for cash and short-term investments, as set forth by the Board of Trustees, authorize the District to invest in interest-bearing time deposits, short-term cash funds, money market funds, intermediate cash funds, U.S. Government-backed obligations, municipal bonds and commercial paper. All investments must be held by the financial institutions organized under Federal or State law.

**Investments:** Investment policies as set forth by the Board of Trustees also authorize the District to invest in bonds or other securities.

**Deposits:** At August 31, 2020 and 2019, the carrying amount of the District's deposits was \$19,025,799 and \$15,756,498, respectively; and bank balances equaled \$6,946,904 and \$13,187,335. Bank balances of \$521,465 and \$524,928 are covered by federal depository insurance and \$6,425,438 and \$12,662,407 were covered by collateral pledged in the District's name. The collateral was held by the District or by its Agent. There were no uncollateralized bank balances at either year end. (This would have included any bank balance that was collateralized with securities held by the pledging financial institution's department or agent but not in the District's name). The District held \$10,484,343 and \$2,151,533 in state approved public investment pools at August 31, 2020 and 2019, respectively.

Cash and Deposits included on Exhibit 1, Statements of Net Position, consist of the items reported below:

<b>Cash and Deposits</b>		
	2020	2019
Bank Deposits		
Demand Deposits	\$ 2,041,257	2,412,348
Money Market Deposits	16,984,542	13,344,150
	19,025,799	15,756,498
Cash and Cash Equivalent:		
Petty Cash on Hand	8,229	6,750
Investments due within 90 days	9,498,416	11,967,997
	9,506,645	11,974,747
 Total Cash and Deposits	\$ 28,532,444	27,731,245

**Reconciliation of Deposits and Investments to Exhibit 1**

Type of Security	August 31, 2020 Market Value	August 31, 2019 Market Value
U.S Government Securities	\$ 13,799,933	19,081,408
Public Funds Investment Pools	10,484,343	2,151,533
Municipal Bonds	6,297,637	9,114,394
Certificates of Deposit	8,114,331	15,096,000
	38,696,244	45,443,335
 Total Investments	\$ 38,696,244	45,443,335
 Total Cash and Deposits	\$ 19,034,028	15,763,248
Total Investments	38,696,244	45,443,335
	\$ 57,730,272	61,206,583
 Total Deposits and Investments	\$ 57,730,272	61,206,583
 Cash and Temporary Investments (Exhibit 1)	\$ 28,532,444	27,731,245
Investments (Exhibit 1)	29,197,828	33,475,338
	\$ 57,730,272	61,206,583
 Total Deposits and Investments	\$ 57,730,272	61,206,583

**Midland College District**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**August 31, 2020 and 2019**

**NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)**

As of August 31, 2020 the District had the following investments and maturities:

Investment Type	Investment Maturities in Years				
	Fair Value	Less than 1	1 to 2	2 to 5	5 to 10
Public Funds Investment Pools	\$ 10,484,343	10,484,343	-	-	-
U.S. Government Securities	13,799,933	12,482,145	359,160	958,628	-
Municipal Bonds	6,297,637	5,008,085	173,618	1,115,934	-
Certificates of Deposit	8,114,331	7,622,331	492,000	-	-
<b>Total Fair Value</b>	<b>\$ 38,696,244</b>	<b>35,596,904</b>	<b>1,024,778</b>	<b>2,074,562</b>	<b>-</b>

As of August 31, 2019 the District had the following investments and maturities:

Investment Type	Investment Maturities in Years				
	Fair Value	Less than 1	1 to 2	2 to 5	5 to 10
Public Funds Investment Pools	\$ 2,151,533	2,151,533	-	-	-
U.S. Government Securities	19,081,409	14,582,328	2,876,900	1,622,181	-
Municipal Bonds	9,114,393	3,704,117	4,137,895	1,272,381	-
Certificates of Deposit	15,096,000	14,608,000	488,000	-	-
<b>Total Fair Value</b>	<b>\$ 45,443,335</b>	<b>35,045,978</b>	<b>7,502,795</b>	<b>2,894,562</b>	<b>-</b>

**Interest Rate Risk:** In order to limit exposure to fair value losses arising from increasing interest rates, the District has established maturity limitations for each fund group. Operating funds are primarily invested in instruments that offer high liquidity and have maturities corresponding with the short to intermediate operating needs of the District. Plant funds and other capital project funds have maturities which correspond to the associated project or debt service dates. Endowment funds are invested in long-term treasury, agency, municipal securities, and certificate of deposit. In addition, state law limits the maturities of collateralized mortgage obligations to no more than 10 years and limits maturities of commercial paper and banker's acceptances to no more than 270 days. Repurchase agreements are limited to 2 years and reverse repurchase agreements are not to exceed 90 days.

**Credit Risk:** In accordance with state law and the District's investment policy, investments in mutual funds and investment pools must be rated at least AAA, commercial paper must be rated at least A-1 or P-1 and investments in obligations of states, agencies, counties, cities and other political subdivisions must be rated at least A. Applicable credit ratings of investments at August 31, 2020 and 2019 are reported below:

Investment Type	Credit Rating
Municipal Bonds	S&P: A thru AAA
U.S. Government Securities	S&P: AA+
TexPool	S&P: AAAm
Lone Star Government Overnight	S&P: AAAm
TexSTAR	S&P: AAAm
Texas Daily	S&P: AAAm

**Concentration of Credit Risk:** The District does not place a limit on the amount the District may invest in any one issuer. More than 5% of the District's investments are in FHLB Bonds (7.73%), FNMA Bonds (5.95%) and US Treasury Notes (10.10%).

**Custodial Credit Risk:** The District's investments have no custodial credit risk.

**Midland College District**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**August 31, 2020 and 2019**

**NOTE 5 – FAIR VALUE OF FINANCIAL INSTRUMENTS**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Fair value measurements were arrived at using the following inputs at August 31, 2020 and 2019:

Investment Type	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	2020
U.S. Government Securities	\$ 13,799,933	-	-	13,799,933
Public Funds Investment Pools	10,484,343	-	-	10,484,343
Municipal Bonds	6,297,637	-	-	6,297,637
Certificates of Deposit	-	8,114,331	-	8,114,331
<b>Total</b>	<b>\$ 30,581,913</b>	<b>8,114,331</b>	<b>-</b>	<b>38,696,244</b>

Investment Type	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	2019
U.S. Government Securities	\$ 2,151,533	-	-	2,151,533
Public Funds Investment Pools	19,081,409	-	-	19,081,409
Municipal Bonds	9,114,393	-	-	9,114,393
Certificates of Deposit	-	15,096,000	-	15,096,000
<b>Total</b>	<b>\$ 30,347,335</b>	<b>15,096,000</b>	<b>-</b>	<b>45,443,335</b>

**NOTE 6 – AD VALOREM TAXES RECEIVABLE**

The District's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District.

At August 31, 2020	
Assessed valuation of the District	\$ 38,603,722,392
Less exemptions	<u>(1,975,687,680)</u>
Net assessed valuation of the District	<u>\$ 36,628,034,712</u>

At August 31, 2019	
Assessed valuation of the District	\$ 28,353,758,506
Less exemptions	<u>(1,588,257,502)</u>
Net assessed valuation of the District	<u>\$ 26,765,501,004</u>

At August 31, 2020			
	<u>Maintenance and Operation</u>	<u>Debt Service</u>	<u>Total</u>
Authorized tax rate per \$100 valuation (Maximum per enabling legislation)	\$ .3000	.5000	.8000
Assessed tax rate per \$100 valuation	\$ .0836	.0076	.0912

At August 31, 2019			
	<u>Maintenance and Operation</u>	<u>Debt Service</u>	<u>Total</u>
Authorized tax rate per \$100 valuation (Maximum per enabling legislation)	\$ .3000	.5000	.8000
Assessed tax rate per \$100 valuation	\$ .1044	.0103	.1147



**Midland College District**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**August 31, 2020 and 2019**

**NOTE 6 – AD VALOREM TAXES RECEIVABLE**

Taxes levied for the years ended August 31, 2020 and 2019 are \$33,408,455 and \$30,705,625, respectively. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed.

At August 31, 2020

<u>Taxes Collected</u>	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current taxes collected	\$ 30,598,457	2,771,872	33,370,329
Delinquent taxes collected	268,157	24,292	292,449
Penalties and interest collected	184,405	16,705	201,110
Total collections	<u>\$ 31,051,019</u>	<u>2,812,869</u>	<u>33,863,888</u>

At August 31, 2019

<u>Taxes Collected</u>	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current taxes collected	\$ 27,892,143	2,750,613	30,642,756
Delinquent taxes collected	354,701	34,979	389,680
Penalties and interest collected	225,463	22,234	247,697
Total collections	<u>\$ 28,472,307</u>	<u>2,807,826</u>	<u>31,280,133</u>

Tax collections (including penalties, interest and delinquent collections) for the years ended August 31, 2020 and 2019 were in excess of 100% of the respective year tax levy. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted to either maintenance and operations or interest and sinking expenditures.

Ad valorem taxes receivable includes the following:

	<u>2020</u>	<u>2019</u>
Current unrestricted fund	\$ 805,909	637,870
Debt service fund	82,325	70,932
	<u>888,234</u>	<u>708,802</u>
Allowance for uncollectible taxes	(310,882)	(248,081)
Net ad valorem taxes receivable	<u>\$ 577,352</u>	<u>460,721</u>

**Midland College District**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**August 31, 2020 and 2019**

**NOTE 7 – CAPITAL ASSETS**

Capital assets activity for the year ended August 31, 2020, was as follows:

	Balance September 1, 2019	Increases	Decreases	Balance August 31, 2020
<u>Not Depreciated:</u>				
Land	\$ 2,550,250	-	-	2,550,250
Collectibles	49,000	-	-	49,000
Construction in process	4,807,098	5,555,001	10,331,120	30,979
Subtotal	<u>7,406,348</u>	<u>5,555,001</u>	<u>10,331,120</u>	<u>2,630,229</u>
<u>Other Capital Assets:</u>				
Buildings	115,243,075	10,729,863	-	125,972,938
Land improvements	11,803,571	675,091	-	12,478,662
Leasehold improvements	572,427	-	-	572,427
Library books	2,249,244	55,384	-	2,304,628
Furniture, machinery, vehicles and other equipment	18,591,534	1,009,786	217,657	19,383,663
Subtotal	<u>148,459,851</u>	<u>12,470,124</u>	<u>217,657</u>	<u>160,712,318</u>
<u>Accumulated Depreciation:</u>				
Buildings	37,649,669	2,620,431	-	40,270,100
Land improvements	4,288,699	574,640	-	4,863,339
Leasehold improvements	89,899	22,016	-	111,915
Library books	1,864,303	51,048	-	1,915,351
Furniture, machinery, vehicles and other equipment	13,396,192	1,202,725	131,808	14,467,109
Subtotal	<u>57,288,762</u>	<u>4,470,860</u>	<u>131,808</u>	<u>61,627,814</u>
Net other capital assets	<u>91,171,089</u>	<u>7,999,264</u>	<u>85,849</u>	<u>99,084,504</u>
Net capital assets	\$ <u>98,577,437</u>	<u>13,554,265</u>	<u>10,416,969</u>	<u>101,714,733</u>

**Midland College District**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**August 31, 2020 and 2019**

**NOTE 7 – CAPITAL ASSETS (CONTINUED)**

Capital assets activity for the year ended August 31, 2019, was as follows:

	Balance September 1, 2018	Increases	Decreases	Balance August 31, 2019
<u>Not Depreciated:</u>				
Land	\$ 2,550,250	-	-	2,550,250
Collectibles	49,000	-	-	49,000
Construction in process	287,370	5,338,941	819,213	4,807,098
Subtotal	<u>2,886,620</u>	<u>5,338,941</u>	<u>819,213</u>	<u>7,406,348</u>
<u>Other Capital Assets:</u>				
Buildings	113,711,138	1,531,937	-	115,243,075
Land improvements	11,803,571	-	-	11,803,571
Leasehold improvements	572,427	-	-	572,427
Library books	2,190,370	58,874	-	2,249,244
Furniture, machinery, vehicles and other equipment	18,371,763	945,250	725,479	18,591,534
Subtotal	<u>146,649,269</u>	<u>2,536,061</u>	<u>725,479</u>	<u>148,459,851</u>
<u>Accumulated Depreciation:</u>				
Buildings	35,075,807	2,573,862	-	37,649,669
Land improvements	3,441,479	847,220	-	4,288,699
Leasehold improvements	67,883	22,016	-	89,899
Library books	1,813,044	51,259	-	1,864,303
Furniture, machinery, vehicles and other equipment	12,936,201	1,143,132	683,141	13,396,192
Subtotal	<u>53,334,414</u>	<u>4,637,489</u>	<u>683,141</u>	<u>57,288,762</u>
Net other capital assets	<u>93,314,855</u>	<u>(2,101,428)</u>	<u>42,338</u>	<u>91,171,089</u>
Net capital assets	\$ <u>96,201,475</u>	<u>3,237,513</u>	<u>861,551</u>	<u>98,577,437</u>

**NOTE 8 – LONG-TERM LIABILITIES**

Long-term liability activity for the year ended August 31, 2020, was as follows:

	Balance September 1, 2019	Additions	Reductions	Balance August 31, 2020	Current Portion
<u>Bonds</u>					
General obligation bonds	\$ 19,309,740	-	2,504,032	16,805,708	2,574,730
Revenue bonds	8,870,000	-	905,000	7,965,000	920,000
Total bonds	<u>28,179,740</u>	<u>-</u>	<u>3,409,032</u>	<u>24,770,708</u>	<u>3,494,730</u>
<u>Other liabilities</u>					
Compensated absences	2,026,541	183,266	28,269	2,181,538	948,468
Net pension liability	11,381,158	93,936	723,898	10,751,196	-
Net OPEB liability	27,254,343	4,736,958	1,878,126	30,113,175	954,419
Total other liabilities	<u>40,662,042</u>	<u>5,014,160</u>	<u>2,630,293</u>	<u>43,045,909</u>	<u>1,902,887</u>
Total long-term liabilities	\$ <u>68,841,782</u>	<u>5,014,160</u>	<u>6,039,325</u>	<u>67,816,617</u>	<u>5,397,617</u>

**Midland College District**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**August 31, 2020 and 2019**

**NOTE 8 – LONG-TERM LIABILITIES (CONTINUED)**

Long-term liability activity for the year ended August 31, 2019, was as follows:

	Balance September 1, 2018	Additions	Reductions	Balance August 31, 2019	Current Portion
<b><u>Bonds</u></b>					
General obligation bonds	\$ 21,751,633	-	2,441,893	19,309,740	2,504,032
Revenue bonds	9,740,000	-	870,000	8,870,000	905,000
Total bonds	<u>31,491,633</u>	<u>-</u>	<u>3,311,893</u>	<u>28,179,740</u>	<u>3,409,032</u>
<b><u>Other liabilities</u></b>					
Compensated absences	2,098,223	71,682	143,364	2,026,541	834,239
Net pension liability	6,688,879	5,388,837	696,558	11,381,158	-
Net OPEB liability	22,658,999	11,202,327	6,606,983	27,254,343	400,906
Total other liabilities	<u>31,446,101</u>	<u>16,662,846</u>	<u>7,446,905</u>	<u>40,662,042</u>	<u>1,235,145</u>
Total long-term liabilities	<u>\$ 62,937,734</u>	<u>16,662,846</u>	<u>10,758,798</u>	<u>68,841,782</u>	<u>4,644,177</u>

**NOTE 9 – DEBT OBLIGATIONS**

**Bonds Payable**

Debt service requirements at August 31, 2020, were as follows:

For the Year Ended August 31,	Revenue Bonds		General Obligation Bonds		Total Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 920,000	174,038	2,445,000	579,550	3,365,000	753,588
2022	935,000	153,281	2,575,000	466,275	3,510,000	619,556
2023	965,000	132,075	2,725,000	333,775	3,690,000	465,850
2024	985,000	110,250	2,850,000	222,900	3,835,000	333,150
2025	1,005,000	88,031	2,950,000	135,900	3,955,000	223,931
2026-2029	<u>3,155,000</u>	<u>125,381</u>	<u>3,055,000</u>	<u>45,825</u>	<u>6,210,000</u>	<u>171,206</u>
Total cash payments	<u>7,965,000</u>	<u>783,056</u>	<u>16,600,000</u>	<u>1,784,225</u>	<u>24,565,000</u>	<u>2,567,281</u>
Unamortized Prem/Disc	<u>-</u>	<u>-</u>	<u>205,708</u>	<u>(205,708)</u>	<u>205,708</u>	<u>(205,708)</u>
Total	<u>\$ 7,965,000</u>	<u>783,056</u>	<u>16,805,708</u>	<u>1,578,517</u>	<u>24,770,708</u>	<u>2,361,573</u>

**NOTE 10 – BONDS PAYABLE**

**2012 General Obligation Refunding Bonds**

- General Obligation Refunding Bonds, Series 2012
- The bonds were used for an advance refunding of the General Obligation Bonds, Series 2005.
- Issued May 23, 2012
- Original amount issued \$26,839,052; amount authorized \$26,839,052.
- Bond issued at a net premium of \$3,443,375.
- Source of payment – Ad valorem taxes

The bonds payable are due in semi-annual installments varying from \$45,825 to \$3,100,825 with interest rates ranging from 2% to 22.9%. The average coupon rate is 3.7%. The final installment is due in 2026.

**Midland College District**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**August 31, 2020 and 2019**

**NOTE 10 – BONDS PAYABLE (Continued)**

2016 Revenue Refunding Bonds

- District Building Refunding Revenue Bonds, Series 2016
- The bonds were used for an advance refunding of the Revenue Refunding Bonds, Series 2008.
- Issued May 1, 2016
- Original amount issued \$9,710,000; amount authorized \$9,710,000.
- Source of payment – pledged revenues

The bonds payable are due in semi-annual installments varying from \$180,107 to \$551,231 with interest rate of 2.25%. The final installment is due in 2022.

**NOTE 11 – DEFEASED BONDS OUTSTANDING**

Bond Issue	Year Refunded	Par Value Outstanding
Revenue Bond Series 2008	2016	\$8,715,000
Total		\$8,715,000

**NOTE 12 – DISAGGREGATION OF RECEIVABLES AND PAYABLES BALANCES**

**Receivables**

Receivables at August 31, were as follows:

	2020	2019
Student Receivables	\$ 1,494,759	1,458,002
Taxes Receivable	888,234	708,802
State Receivable	60,736	117,180
Federal Receivable	368,608	354,700
Accounts Receivable	762,229	1,158,750
Interest Receivable	176,558	367,062
Subtotal	3,751,124	4,164,496
Allowance for Doubtful Accounts	(2,420,677)	(1,808,675)
<b>Total Receivables</b>	<b>\$ 1,330,447</b>	<b>2,355,821</b>

**Payables**

Payables at August 31, were as follows:

	2020	2019
Vendors Payable	\$ 1,450,523	3,093,459
Students Payable	-	-
<b>Total Payables</b>	<b>\$ 1,450,523</b>	<b>3,093,459</b>

## Midland College District

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2020 and 2019

#### NOTE 13 – DEFINED BENEFIT PENSION PLAN

The State of Texas has joint contributory retirement plans for almost all its employees.

##### A. 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.

##### B. 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.

##### C. Benefits Provided

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

Texas Government Code Section 821.006 prohibits benefit improvements if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years or, if the amortization period already exceeds 31 years, the period would be increased by such action.

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

## Midland College District

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2020 and 2019

#### NOTE 13 – EMPLOYEES' RETIREMENT PLANS (CONTINUED)

##### D. Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year.

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

##### Contribution Rates

	<u>2019</u>	<u>2020</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	7.5%
District	6.8%	7.5%
2019 District Contributions	\$ 720,736	
2019 State of Texas On-behalf Contributions	\$ 511,769	
2019 Member Contributions	\$ 1,343,619	

The District's contributions to the TRS plan in 2020 were \$918,712 as reported in the Schedule of District Contributions in the Required Supplementary Information section of these financial statements. Estimated State of Texas on-behalf contributions for 2020 were \$516,608.

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.

Public junior colleges or junior college districts 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, 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.

## Midland College District

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2020 and 2019

#### NOTE 13 – EMPLOYEES' RETIREMENT PLANS (CONTINUED)

##### E. Actuarial Assumptions

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

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return*	7.25%
Municipal Bond Rate*	2.63%
Last year ending August 31 in the 2016 to 2115	2116
Projection period (100 years)	
Inflation	2.30%
Salary Increases	3.05% to 9.05%
Benefit changes during the year	None
Ad-hoc post-employment benefit changes	None

\* Source for the rate is the Fixed Income Market Data/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 were selected by the board of trustees based upon analysis and recommendations by the system's actuary. The board of trustees has sole authority to determine the actuarial assumptions used for the plan. The actuarial methods and assumptions were primarily based on a study of actual experience for the three-year period ending August 31, 2017 and were adopted in July 2018. There were no changes to the actuarial assumptions or other inputs that affected the measurement of the total pension liability since the prior measurement period. Assumptions, methods, and plan changes were updated from the prior year's report. The net pension liability increased significantly since the prior measurement date due to a change in the following actuarial assumptions:

- The total pension liability as of August 31, 2019 was developed using a roll-forward method from the August 31, 2018 valuation.
- Demographic assumptions including postretirement 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 6.907 percent as of August 31, 2018 to 7.25 percent as of August 31, 2019.

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



## Midland College District

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2020 and 2019

#### NOTE 13 – EMPLOYEES’ RETIREMENT PLANS (CONTINUED)

##### F. Discount Rate

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

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

The long-term rate of return on pension plan investments is 7.25 percent. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in TRS’ target asset allocation as of August 31, 2019, are summarized below:

Asset Class	FY 2019 Target Allocation*	New Target Allocation**	Long-Term Expected Geometric Real Rate of Return***
<b>Global Equity:</b>			
USA	18.00%	18.00%	6.40%
Non-U.S. Developed	13.00%	13.00%	6.30%
Emerging Markets	9.00%	9.00%	7.30%
Directional Hedge Funds	4.00%	-	-
Private Equity	13.00%	14.00%	8.40%
<b>Stable Value:</b>			
U.S. Treasuries****	11.00%	16.00%	3.10%
Stable Value Hedge Funds	4.00%	5.00%	4.50%
Absolute Return (Including Credit Sensitive Investments)	-	-	-
<b>Real Return:</b>			
Global Inflation Linked Bonds****	3.00%	-	-
Real Assets	14.00%	15.00%	8.50%
Energy, Natural Resources and Infrastructure	5.00%	6.00%	7.30%
Commodities	-	-	-
<b>Risk Parity:</b>			
Risk Parity	5.00%	8.00%	5.8%/6.5%*****
<b>Asset Allocation Leverage</b>			
Cash	1.00%	2.00%	2.50%
Asset Allocation Leverage	-	(6.00)%	2.70%
<b>Total</b>	<b>100%</b>	<b>100.00%</b>	<b>7.23%</b>

\* FY 2019 Target Allocation based on the Strategic Asset Allocation dated 10/1/2018

\*\* New target allocation based on the Strategic Asset Allocation dated 10/1/2019

\*\*\* 10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.1%

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

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

*Source: Teacher Retirement System of Texas 2019 Comprehensive Annual Financial Report*

**Midland College District**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**August 31, 2020 and 2019**

**NOTE 13 – EMPLOYEES’ RETIREMENT PLANS (CONTINUED)**

**G. Discount Rate Sensitivity Analysis**

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used 7.25% in measuring the 2019 Net Pension Liability.

		<u>1% Decrease in Discount Rate 6.25%</u>	<u>Discount Rate 7.25%</u>	<u>1% Increase in Discount rate 8.25%</u>
The District’s proportionate share of the net pension liability:	\$	16,526,150	10,751,196	6,072,368

**H. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At August 31, 2019, the District reported a liability of \$10,751,196 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:

The District’s proportionate share of the collective net pension liability	\$	10,751,196
State’s proportionate share that is associated with the District		<u>7,275,293</u>
Total		<u>\$ 18,026,489</u>

The net pension liability was measured as of August 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer’s proportion of the net pension liability was based on the employer’s contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2018 through August 31, 2019.

At the measurement date of August 31, 2019 the employer’s proportion of the collective net pension liability was 0.0206821%, which was a increase of 0.00050231% from its proportion measured as of August 31, 2018.

**Changes Since the Prior Actuarial Valuation**

- The single discount rate as of August 31, 2018, was a blended rate of 6.907%, and that has changed to the long-term rate of return of 7.25% as of August 31, 2019.
- With the enactment of SB 3 by the 86<sup>th</sup> Texas Legislature, 2019 an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected in the actuarial assumptions.
- The Texas Legislature approved funding for a 13<sup>th</sup> check in September 2019. All eligible members retired as of December 31, 2018 received an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment of \$2,000, whichever was less.

For the year ended August 31, 2020, the District recognized pension expense of \$997,446 as well as on-behalf revenue and pension expense of \$1,242,846 representing pension expense incurred by the State on-behalf of the District.

**Midland College District**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**August 31, 2020 and 2019**

**NOTE 13 – EMPLOYEES’ RETIREMENT PLANS (CONTINUED)**

**I. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

At August 31, 2020, the District reported its proportionate share of the TRS’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 45,165	373,299
Changes in actuarial assumptions	3,335,549	1,378,407
Net difference between projected and actual investment earnings	646,365	538,411
Changes in proportion and difference between the employer’s contributions and proportionate share of contributions	1,682	374,906
Contributions paid to TRS subsequent to the measurement date*	918,712	-
<b>Total</b>	<b>\$ 4,947,473</b>	<b>2,665,023</b>

\* The \$918,712 reported as Deferred Outflows of Resources resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended August 31, 2021.

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

Year ended August 31:	Pension Expense Amount
2021	166,234
2022	75,544
2023	521,703
2024	530,634
2025	168,536
Thereafter	(98,913)
	1,363,738

**NOTE 14 – OTHER RETIREMENT PLAN**

**Optional Retirement Plan**

*Plan Description.* Participation in the Optional Retirement Program is in lieu of participation in the Teacher Retirement System. The Optional Retirement Program provides for the purchase of annuity contracts and operates under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C.

*Funding Policy.* Contribution requirements are not actuarially determined but are established and amended by Texas state legislature. The percentages of participant salaries currently contributed by the state and each participant are 6.65% and 6.6%, respectively. The District contributes .71% for employees who were participating in the Optional Retirement Program prior to September 1, 1995, and .2% for all other employees. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the state has no additional or unfunded liability for this program. Effective September 1, 2013, Senate Bill (S.B.) 1812 limits the amount of the state’s contribution to 50% of the cost of eligible employees in the reporting district.

## Midland College District

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2020 and 2019

#### NOTE 14 – OTHER RETIREMENT PLAN (CONTINUED)

##### Optional Retirement Plan (Continued)

The retirement expense for the Optional Retirement Program to the State for the District was \$197,284 and \$206,261 for the fiscal years ended August 31, 2020 and 2019, respectively. This amount represents the portion of expended appropriations made by the state legislature on behalf of the District.

The total payroll for all District employees was \$27,721,769 and \$27,372,761 for fiscal years 2020 and 2019, respectively. The total payroll of employees covered by the Optional Retirement Program was \$6,527,375 and \$6,704,069 for fiscal years 2020 and 2019, respectively.

#### NOTE 15 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

**Plan Description.** The District participates in a cost-sharing, multiple-employer, other post-employment benefit (OPEB) plan with a special funding situation. The Texas Employees Group Benefits Program (GBP) is administered by the Employees Retirement System of Texas (ERS). The GBP provides certain postemployment health care, life and dental insurance benefits to retired employees of participating universities, community colleges, and State agencies in accordance with Chapter 1551, Texas Insurance Code. Almost all employees may become eligible for those benefits if they reach normal retirement age while working for the State and retire with at least 10 years of service to eligible entities. Surviving spouses and dependents of these retirees are also covered. Benefit and contribution provisions of the GBP are authorized by State law and may be amended by the Texas Legislature.

**OPEB Plan Fiduciary Net Position.** Detailed information about the GBP's fiduciary net position is available in the separately issued ERS Comprehensive Annual Financial Report (CAFR) that includes financial statements, notes to the financial statements and required supplementary information. That report may be obtained on the Internet at <https://ers.texas.gov/About-ERS/Reports-and-Studies/Reports-on-Overall-ERS-Operations-and-Financial-Management>; or by writing to ERS at: 200 East 18th Street, Austin, TX 78701; or by calling (877) 275-4377.

**Benefits Provided.** Retiree health benefits offered through the GBP are available to most State of Texas retirees and their eligible dependents. Participants need at least ten years of service credit with an agency or institution that participates in the GBP to be eligible for GBP retiree insurance. The GBP provides self-funded group health (medical and prescription drug) benefits for eligible retirees under HealthSelect. The GBP also provides a fully insured medical benefit option for Medicare-primary participants under the HealthSelect Medicare Advantage Plan and life insurance benefits to eligible retirees via a minimum premium funding arrangement. The authority under which the obligations of the plan members and employers are established and/or may be amended is Chapter 1551, Texas Insurance Code.

**Contributions.** Section 1551.055 of Chapter 1551, Texas Insurance Code, provides that contribution requirements of the plan members and the participating employers are established and may be amended by the ERS Board of Trustees. The employer and member contribution rates are determined annually by the ERS Board of Trustees based on the recommendations of ERS staff and its consulting actuary. The contribution rates are determined based on (i) the benefit and administrative costs expected to be incurred, (ii) the funds appropriated and (iii) the funding policy established by the Texas Legislature in connection with benefits provided through the GBP. The Trustees revise benefits when necessary to match expected benefit and administrative costs with the revenue expected to be generated by the appropriated funds.

**Midland College District**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**August 31, 2020 and 2019**

**NOTE 15 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

**Contributions (Continued)**

The following table summarizes the maximum monthly employer contribution toward eligible retirees' health and basic life premium. The District shall reimburse a portion of dental insurance, if enrolled, and for a maximum of the cost of retiree fixed optional life insurance coverage in the amount of \$10,000 until age 70, if enrolled. Surviving spouses and their dependents do not receive any employer contribution. As the non-employer contributing entity (NECE), the State of Texas pays part of the premiums for the junior and community colleges.

**Maximum Monthly Employer Contribution**  
**Retiree Health and Basic Life Premium**  
**Fiscal Year FY19**

Retiree only	\$	625
Retiree & Spouse		983
Retiree & Children		865
Retiree & Family		1,223

Contributions of premiums to the GBP plan for the current and prior fiscal year by source is summarized in the following table:

**Premium Contributions by Source**  
**Group Benefits Program Plan**  
**For the Years Ended August 31, 2020 and 2019**

		2020	2019
Employers	\$	349,625	282,338
Members (employees)		182,823	186,788
Nonemployer Contributing Entity (State of Texas)		17,585	15,252

Source: ERS FY2019 Comprehensive Annual Financial Report

## Midland College District

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2020 and 2019

#### NOTE 15 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

**Actuarial Assumptions.** The total OPEB liability was determined by an actuarial valuation as of August 31, 2019 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

#### Actuarial Assumptions ERS Group Benefits Program Plan

Valuation date	August 31, 2019
Actuarial cost method	Entry Age
Amortization method	Level Percent of Pay, Open
Remaining amortization period	30 years
Asset valuation method	N/A
Discount rate	2.97%
Projected annual salary increase (includes inflation)	2.50% to 9.50%
Annual healthcare trend rate	7.30% for FY2021, 7.40% for FY2022, 7.00% for FY 2023, decreasing 50 basis points per year to an ultimate rate of 4.50% for 2028 and later years
Inflation assumption rate	2.50%
Ad hoc postemployment benefit changes	None
Mortality assumptions:	
Service retirees, survivors and other inactive members	Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018
Disability retirees	Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members.
Active members	Sex Distinct RP-2014 Employee Mortality multiplied by 90% with Ultimate MP Projection Scale from the year 2014

Source: FY2019ERS CAFR except for mortality assumptions obtained from ERS FY2019 GAS #74 Actuarial Valuation

Many of the actuarial assumptions used in this valuation were based on the results of actuarial experience studies performed by the ERS and TRS retirement plan actuaries for the period September 1, 2010 to August 31, 2017 for higher education members.

**Investment Policy.** The State Retiree Health Plan is a pay-as-you-go plan and does not accumulate funds in advance of retirement. The System's Board of Trustees adopted the amendment to the investment policy in August 2017 to require that all funds in the plan be invested in short-term fixed income securities and specify that the expected rate of return on these investments is 2.4%.

**Midland College District**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**August 31, 2020 and 2019**

**NOTE 15 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

**Discount Rate.** Because the GBP does not accumulate funds in advance of retirement, the discount rate that was used to measure the total OPEB liability is the municipal bonds rate. The discount rate used to determine the total OPEB liability as of the beginning of the measurement year was 3.96%. The discount rate used to measure the total OPEB liability as of the end of the measurement year was 2.97%, which amounted to a decrease of 0.99%. The source of the municipal bond rate was the Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality. The bonds average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp's AA rating. Projected cash flows into the plan are equal to projected benefit payments out of the plan. Because the plan operates on a pay-as-you-go (PAYGO) basis and is not intended to accumulate assets, there is no long-term expected rate of return on plan assets and therefore the years of projected benefit payments to which the long-term expected rate of return is applicable is zero years.

**Discount Rate Sensitivity Analysis.** The following schedule shows the impact on the District's proportionate share of the collective net OPEB Liability if the discount rate used was 1 percent less than and 1 percent greater than the discount rate that was used 2.97% in measuring the net OPEB Liability.

		1% Decrease in Discount Rate 1.97%	Discount Rate 2.97%	1% Increase in Discount Rate 3.97%
District's Proportionate share of the net OPEB liability	\$	35,934,385	30,113,175	25,633,967

**Healthcare Trend Rate Sensitivity Analysis.** The initial healthcare trend rate is 7.3% and the ultimate rate is 4.5%. The following schedule shows the impact on the District's proportionate share of the collective net OPEB Liability if the healthcare cost trend rate used was 1 percent less than and 1 percent greater than the healthcare cost trend rate that was used (7.3%) in measuring the net OPEB liability.

		1% Decrease Healthcare Cost Trend Rates 6.30%	Current Healthcare Cost Trend Rates 7.3%	1% Increase in Healthcare Cost trend Rates 8.3%
District's Proportionate share of the net OPEB liability	\$	25,285,767	30,113,175	36,421,494

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.** At August 31, 2020, the District reported a liability of \$30,113,175 for its proportionate share of the ERS's net OPEB liability. This liability reflects a reduction for State support provided to the District for OPEB. 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:

The District's Proportionate share of the collective net OPEB liability	\$	30,113,175
State's Proportionate share that is associated with District		<u>26,390,267</u>
	\$	<u>56,503,442</u>

**Midland College District**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**August 31, 2020 and 2019**

**NOTE 15 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

The net OPEB liability was measured as of August 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The employer's proportion of the net OPEB liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2018, thru August 31, 2019.

At the measurement date of August 31, 2019, the employer's proportion of the collective net OPEB liability was 0.08712629% which was 0.00483194% lower compared to August 31, 2018.

For the year ended August 31, 2020, the District recognized OPEB expense of \$29,898 and revenue of \$29,898 for support provided by the State.

Changes Since the Prior Actuarial Valuation – Changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liability since the prior measurement period were as follows:

- Demographic assumptions (including rates of retirement, disability, termination, mortality, and assumed salary increases) for higher education members have been updated to reflect assumptions recently adopted by the trustees from the Teachers Retirement System of Texas.
- Assumed expenses, assumed per capita health benefit costs, and assumed health benefit cost, retiree contribution, and expense trends have been updated to reflect recent experience and its effects on our short-term expectations.
- The percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- The percentage of future male retirees assumed to be married and electing coverage for their spouse have been updated to reflect recent plan experience and expected trends.
- The discount rate assumption was decreased from 3.96% to 2.97% to utilize the updated yield or index rate for 20-year, tax-exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

Changes of Benefit Terms Since Prior Measurement Date – The following benefit revisions have been adopted since the prior valuation:

- An increase in the out-of-pocket maximum for both HealthSelect and Consumer Directed HealthSelect for those HealthSelect retirees and dependents for whom Medicare is not primary.

At August 31, 2019 the District reported its proportionate share of the ERS plan's collective deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual economic experience	\$ -	783,572
Changes in actuarial assumptions	2,142,994	6,729,153
Difference between projected and actual investment return	12,380	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	8,350,166	1,733,084
Contributions subsequent to the measurement date*	464,487	-
<b>Total</b>	<b>\$ 10,970,027</b>	<b>9,245,809</b>

\* The \$464,487 reported as Deferred Outflows of Resources resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB Liability in the year ended August 31, 2021.



**Midland College District**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**August 31, 2020 and 2019**

**NOTE 15 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

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 August 31:</u>	<u>OPEB Expense Amount</u>
2021	\$ (144,569)
2022	(144,569)
2023	681,106
2024	829,271
2025	38,492
<u>Thereafter</u>	<u>-</u>
	<u>1,259,731</u>

**NOTE 16 – COMPENSATED ABSENCES**

Accumulated unpaid vacation pay is accrued as incurred in accordance with NCGA Statement 4, *Accounting and Financial Reporting for Claims and Judgments and Compensated Absences*.

To accrue vacation, an individual must be employed on a full-time basis for a twelve-month appointment. Employees can earn annual vacation leave at the rate of 80 hours per year for the first 9 years up to a maximum of 160 hours per year after 20 years of service. There is no requirement that annual leave be taken, but the maximum permissible accumulation is 120 hours for employees with less than 10 years of service. Employees with 10-19 years of service may accumulate up to 180 hours and employees with 20 years of service or more may accumulate up to 240 hours. At termination, employees are paid for any accumulated annual vacation leave not to exceed their annual entitlement. The liability for accumulated unpaid vacation leave was approximately \$805,573 and \$678,876 on August 31, 2020 and 2019, respectively.

Employees earn sick leave at the rate of 12 hours per month for the first six months of employment, and at a rate of 8 hours for each month thereafter. Sick days may be accumulated up to 720 hours. Upon retirement, or upon termination with 10 years or more service, the employee may be paid for any accumulated sick leave in excess of 240 hours, at a rate of 1/2 of the employee’s current base hourly rate. If an employee terminates prior to 10 years of continuous full-time service, all accumulated sick leave is forfeited. The accrued sick leave amounted to approximately \$1,233,070 and \$1,192,302 on August 31, 2020 and 2019, respectively. As of August 31, 2020 and 2019, non-exempt employees have accrued approximately \$142,895 and \$155,363, respectively, in compensatory time.

**NOTE 17 – LITIGATION**

In the ordinary course of business, the District is involved with various claims and potential litigation. Management does not believe that any of these matters will have a material adverse effect on the financial position of the District.

**NOTE 18 – CONTRACTS AND GRANT AWARDS**

Contract and grant awards are accounted for in accordance with the requirements of the AICPA Industry Audit Guide, *Audits of Colleges and Universities*. Revenues are recognized on Exhibit 2 and Schedule A. For federal contract and grant awards, funds expended, but not collected, are reported as Federal Receivables on Exhibit 1. Non-federal contract and grant awards for which funds are expended, but not collected, are reported as Accounts Receivable on Exhibit 1. Contract and grant awards that are not yet funded and for which the institution has not yet performed services are not included in the financial statements. Contract and grant award funds already committed, e.g., multi-year awards, or funds awarded during fiscal years 2020 and 2019 for which monies have not been received nor funds expended total \$699,973 and \$631,003, respectively. All of these amounts were from federal contract and grant awards.

**Midland College District**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**August 31, 2020 and 2019**

**NOTE 19 – INCOME TAXES**

The District is exempt from income taxes under Internal Revenue Code Section 115, Income of States Municipalities, Etc., although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511 (a)(2)(B), Imposition of Tax on Unrelated Business Income of Charitable, Etc. Organizations. The District had no unrelated business income tax liability for the years ended August 31, 2020 and 2019.

**NOTE 20 – SPLIT INTEREST AGREEMENTS**

The District has a beneficial interest in a split interest agreement in which it will receive 25% of the remaining assets upon the death of the lead beneficiaries. The District recognized \$3,912 and \$3,691 representing the discounted present value of the expected distributions for the years ended August 31, 2020 and 2019, respectively. The contribution receivable was approximately \$69,117 and \$65,205 as of August 31, 2020 and 2019, respectively.

**NOTE 21– COMMITMENTS**

As of August 31, 2020, the District has awarded the following contracts for projects that are in progress:

Technology Center Restroom and English Lab Renovation	\$	234,994
Re-roofing of Multiple Facilities	\$	3,868,853

**NOTE 22 – RELATED PARTY**

Midland College Foundation, Inc. (the “Foundation”), an independent corporation organized for the purpose of fund raising to benefit the District, made contributions of \$7,534,188 and \$7,809,568 in fiscal years 2020 and 2019, respectively. Two trustees of the District are also on the Board of Directors of the Foundation.

**NOTE 23 – BRANCH CAMPUS MAINTENANCE TAX**

A branch campus maintenance tax that is established by election is levied by Pecos County. It is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the county. Collections are transferred to the District to be used for operation of a Branch Campus at Fort Stockton, Texas. This revenue is reported under Local Grants and Contracts.

	2020	2019
County or Independent School District:	Collections (including penalties and interest)	Collections (including penalties and interest)
Pecos County	\$ 1,014,984	989,728

**NOTE 24 – SUBSEQUENT EVENTS**

Management of the District has performed an evaluation of the District’s activity through December 15, 2020, the date these financial statements were available for issuance and noted no significant event that would require recording or disclosure.

**REQUIRED SUPPLEMENTARY INFORMATION**

## Midland College District

### SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY

For the Year Ended August 31, 2020

Fiscal year ending August 31,*	2019	2018	2017	2016	2015	2014**
District's proportionate share of collective net pension liability (%)	0.0206821 %	0.020677 %	0.0209193 %	0.0210081 %	0.0214909 %	0.0240000%
District's proportionate share of collective net pension liability (\$)	\$ 10,751,196	11,381,158	6,688,879	7,938,654	7,596,747	6,410,732
State's proportionate share of net pension liability associated with District	<u>7,275,293</u>	<u>7,908,667</u>	<u>4,490,670</u>	<u>5,568,440</u>	<u>5,178,200</u>	<u>4,326,729</u>
Total	<u>18,026,489</u>	<u>19,289,825</u>	<u>11,179,549</u>	<u>13,507,094</u>	<u>12,774,947</u>	<u>10,737,461</u>
District's covered payroll	\$ 17,447,336	16,884,581	16,349,262	16,106,059	15,265,625	14,206,012
District's proportionate share of collective net pension liability as a percentage of covered payroll	61.62 %	67.41 %	40.91 %	49.29 %	49.79 %	45.13%
Plan fiduciary net position as percentage of the total pension liability	75.24 %	73.74 %	82.17 %	78.00 %	78.43 %	83..25%

\*The amounts presented above are as of the measurement date of the collective net pension liability

\*\*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

#### NOTE 1: CHANGES OF BENEFIT TERMS INCLUDE:

Information about factors that significantly affect terms in the amounts reported in the RSI Schedules should be presented (for COLA increases).

#### NOTE 2: CHANGES OF ASSUMPTIONS:

The following changes of assumptions occurred during the year ending August 31, 2020:

- The total pension liability as of August 31, 2019 was developed using a roll-forward method from the August 31, 2018 valuation.
- Demographic assumptions including postretirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2018.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 6.907 percent as of August 31, 2018 to 7.25 percent as of August 31, 2019.

**Midland College District**

**SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS -  
TEACHER RETIREMENT SYSTEM OF TEXAS**

**For the Year Ended August 31, 2020**

<b>Fiscal year ending August 31,*</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015**</b>
Legally required contributions	\$ 918,712	720,736	701,445	685,906	686,879	606,222
Actual contributions	918,712	720,736	701,445	685,906	686,879	606,222
Contributions deficiency (excess)	-	-	-	-	-	-
District's covered payroll amount	\$ 18,447,862	17,447,336	16,884,581	16,349,262	16,106,059	15,256,625
Contributions as a percentage of covered payroll	4.98%	4.13%	4.15%	4.20%	4.26%	3.97%

\*The amounts presented above are as of the District's most recent fiscal year-end.

\*\*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**NOTE 1: CHANGES OF BENEFIT TERMS INCLUDE:**

Information about factors that significantly affect terms in the amounts reported in the RSI Schedules should be presented (for COLA increases).

**NOTE 2: CHANGES OF ASSUMPTIONS:**

The following changes of assumptions occurred during the year ending August 31, 2020:

- The total pension liability as of August 31, 2019 was developed using a roll-forward method from the August 31, 2018 valuation.
- Demographic assumptions including postretirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2018.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 6.907 percent as of August 31, 2018 to 7.25 percent as of August 31, 2019.

**Midland College District**  
**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF**  
**NET OPEB LIABILITY -**  
**EMPLOYEE RETIREMENT SYSTEM OF TEXAS**  
**STATE RETIREE HEALTH PLAN**

**For the Year Ended August 31, 2020**

<b>Fiscal year ending August 31,*</b>	<b>2019</b>	<b>2018</b>	<b>2017**</b>
District's proportionate share of collective net OPEB liability (%)	0.0871%	0.0920%	0.0665013%
District's proportionate share of collective net OPEB liability (\$)	\$ 30,113,175	27,254,343	22,658,999
State's proportionate share of net OPEB liability associated with District	26,390,267	22,216,096	19,971,590
Total	56,503,442	49,470,439	42,630,589
District's covered payroll	\$ 22,449,109	22,248,782	21,714,833
District's proportionate share of collective net OPEB liability as a percentage of covered payroll	134.14%	122.50%	104%
Plan fiduciary net position as percentage of the total OPEB liability	0.17%	1.27%	2.04%

\*The amounts presented above are as of the measurement date of the collective net pension liability.

\*\*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**NOTE 1: CHANGES OF BENEFIT TERMS INCLUDE:**

An increase in the out-of-pocket maximum for both HealthSelect and Consumer Directed HealthSelect for those HealthSelect retirees and dependents for whom Medicare is not primary.

**NOTE 2: CHANGES OF ASSUMPTIONS:**

Demographic assumptions (including rates of retirement, disability, termination, mortality, and assumed salary increases) for higher education members have been updated to reflect assumptions recently adopted by the trustees from the Teachers Retirement System of Texas.

- Assumed expenses, assumed per capita health benefit costs, and assumed health benefit cost, retiree contribution, and expense trends have been updated to reflect recent experience and its effects on our short-term expectations.
- The percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- The percentage of future male retirees assumed to be married and electing coverage for their spouse have been updated to reflect recent plan experience and expected trends.
- The discount rate assumption was increased from 3.96% to 2.97% to utilize the updated yield or index rate for 20-year, tax-exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

**Midland College District**

**SCHEDULE OF DISTRICT'S PROPORTIONATE  
CONTRIBUTIONS FOR OPEB –  
EMPLOYEE RETIREMENT SYSTEM OF TEXAS  
STATE RETIREE HEALTH PLAN**

**For the Year Ended August 31, 2020**

<b>Fiscal year ending August 31,*</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017**</b>
Legally required OPEB contributions	\$ 464,487	1,346,051	1,238,174	1,197,854
Actual OPEB contributions	<u>464,487</u>	<u>1,346,051</u>	<u>1,238,174</u>	<u>1,197,854</u>
Contributions deficiency (excess)	-	-	-	-
District's covered payroll amount	\$ 22,736,504	22,449,109	22,248,782	21,714,833
Contributions as a percentage of covered payroll	2.04%	6.00%	5.56	5.52%

\*The amounts presented above are as of the District's most recent fiscal year-end.

\*\*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**NOTE 1: CHANGES OF BENEFIT TERMS INCLUDE:**

An increase in the out-of-pocket maximum for both HealthSelect and Consumer Directed HealthSelect for those HealthSelect retirees and dependents for whom Medicare is not primary.

**NOTE 2: CHANGES OF ASSUMPTIONS:**

Demographic assumptions (including rates of retirement, disability, termination, mortality, and assumed salary increases) for higher education members have been updated to reflect assumptions recently adopted by the trustees from the Teachers Retirement System of Texas.

- Assumed expenses, assumed per capita health benefit costs, and assumed health benefit cost, retiree contribution, and expense trends have been updated to reflect recent experience and its effects on our short-term expectations.
- The percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- The percentage of future male retirees assumed to be married and electing coverage for their spouse have been updated to reflect recent plan experience and expected trends.
- The discount rate assumption was increased from 3.96% to 2.97% to utilize the updated yield or index rate for 20-year, tax-exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

## **SCHEDULES**



Midland College District

Schedule A

SCHEDULE OF DETAILED OPERATING REVENUES

Year Ended August 31, 2020  
(With Memorandum Totals for the Year Ended August 31, 2019)

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	2020 Total	2019 Memorandum Total
<b>Tuition:</b>						
State funded credit courses:						
In-district resident tuition	\$ 4,026,729	-	4,026,729	-	4,026,729	3,956,148
Out-of-district resident tuition	2,770,825	-	2,770,825	-	2,770,825	3,089,590
Non-resident tuition	685,376	-	685,376	-	685,376	710,262
TPEG – credit (set aside) *	355,343	-	355,343	-	355,343	360,689
State-funded continuing education	866,138	-	866,138	-	866,138	1,296,341
TPEG – non-credit (set aside) *	45,791	-	45,791	-	45,791	74,905
Non-state funded continuing educational programs	65,950	-	65,950	-	65,950	245,708
<b>Total tuition</b>	<b>8,816,152</b>	<b>-</b>	<b>8,816,152</b>	<b>-</b>	<b>8,816,152</b>	<b>9,733,643</b>
<b>Fees:</b>						
General use fee	2,064,007	-	2,064,007	-	2,064,007	2,191,319
Lab fees	292,970	-	292,970	-	292,970	276,387
Distance learning fee	628,210	-	628,210	-	628,210	643,856
Other fees	119,211	-	119,211	-	119,211	136,950
<b>Total fees</b>	<b>3,104,398</b>	<b>-</b>	<b>3,104,398</b>	<b>-</b>	<b>3,104,398</b>	<b>3,248,512</b>
<b>Scholarship allowances and discounts:</b>						
Scholarships	(1,330,746)	-	(1,330,746)	-	(1,330,746)	(1,303,097)
Remissions and exemptions - state	(204,839)	-	(204,839)	-	(204,839)	(237,756)
Remissions and exemptions - local	(82,993)	-	(82,993)	-	(82,993)	(36,797)
Title IV federal grants	(1,193,396)	-	(1,193,396)	-	(1,193,396)	(1,929,734)
Other federal grants	(131,890)	-	(131,890)	-	(131,890)	-
TPEG awards	(563,802)	-	(563,802)	-	(563,802)	(235,038)
Other state grants	(52,495)	-	(52,495)	-	(52,495)	(59,268)
Other local grants	-	-	-	-	-	(9,792)
<b>Total scholarship allowances</b>	<b>(3,560,161)</b>	<b>-</b>	<b>(3,560,161)</b>	<b>-</b>	<b>(3,560,161)</b>	<b>(3,811,482)</b>
<b>Total net tuition and fees</b>	<b>8,360,389</b>	<b>-</b>	<b>8,360,389</b>	<b>-</b>	<b>8,360,389</b>	<b>9,170,673</b>

**Midland College District**

**Schedule A**

**SCHEDULE OF DETAILED OPERATING REVENUES (CONTINUED)**

**Year Ended August 31, 2020  
(With Memorandum Totals for the Year Ended August 31, 2019)**

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total Educational Activities</u>	<u>Auxiliary Enterprises</u>	<u>2020 Total</u>	<u>2019 Memorandum Total</u>
<b>Additional operating revenues:</b>						
Federal grants and contracts	31,838	1,453,623	1,485,461	-	1,485,461	897,225
State grants and contracts	-	558,248	558,248	-	558,248	756,389
Local grants and contracts	1,406,778	221,869	1,628,647	-	1,628,647	5,397,628
Non-governmental grants and contracts	16,712	2,011,253	2,027,965	21,800	2,049,765	2,318,043
Sales and services of educational activities	448,322	-	448,322	-	448,322	691,426
Investment income (program restricted)	-	334,836	334,836	5,271	340,107	358,251
General operating revenues	293,184	350,335	643,519	440	643,959	993,907
<b>Total additional operating revenues</b>	<u>2,196,834</u>	<u>4,930,164</u>	<u>7,126,998</u>	<u>27,511</u>	<u>7,154,509</u>	<u>11,412,869</u>
<b>Auxiliary enterprises:</b>						
Bookstore **	-	-	-	105,187	105,187	135,374
Residential/food service	-	-	-	896,199	896,199	1,005,175
Less discounts	-	-	-	(294,827)	(294,827)	(150,097)
Athletics	-	-	-	6,749	6,749	7,748
Other	-	-	-	48,770	48,770	35,869
<b>Total net auxiliary enterprises</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>762,078</u>	<u>762,078</u>	<u>1,034,069</u>
<b>Total Operating Revenues</b>	\$ <u>10,557,223</u>	<u>4,930,164</u>	<u>15,487,387</u>	<u>789,589</u>	<u>16,276,976</u> (Exhibit 2)	<u>21,617,611</u> (Exhibit 2)

\* In accordance with Education Code 56.033, \$401,134 and \$435,594 of tuition for years ended August 31, 2020 and 2019, respectively, was set aside for Texas Public Education grants (TPEG).

\*\* The Midland College Bookstore is outsourced. Bookstore revenue is derived from lease payments. Accordingly, there are no scholarship allowances and discounts related to bookstore revenues.

Midland College District

Schedule B

SCHEDULE OF OPERATING EXPENSES  
BY OBJECT

Year Ended August 31, 2020  
(With Memorandum Totals for the Year Ended August 31, 2019)

	Operating Expenses				2020 Total	2019 Memorandum Total
	Salaries and Wages	Benefits		Other Expenses		
		State	Local			
Unrestricted - Educational Activities						
Instruction	\$ 13,075,572	-	3,707,504	1,032,351	17,815,427	17,888,981
Public service	1,407,442	-	626,646	142,775	2,176,863	2,043,657
Academic support	3,798,549	-	1,428,495	3,072,809	8,299,853	8,138,369
Student services	2,416,611	-	1,142,147	215,482	3,774,240	3,753,166
Institutional support	3,559,394	-	1,351,673	2,424,344	7,335,411	7,037,145
Operation and maintenance of plant	1,112,358	-	674,723	5,420,525	7,207,606	5,812,195
Scholarships and fellowships	-	-	-	37,240	37,240	38,848
<b>Total Unrestricted Educational Activities</b>	<b>25,369,926</b>	<b>-</b>	<b>8,931,188</b>	<b>12,345,526</b>	<b>46,646,640</b>	<b>44,712,361</b>
Restricted – Educational Activities						
Instruction	148,265	757,672	25,375	401,516	1,332,828	1,419,252
Public service	969,806	34,618	231,413	750,622	1,986,459	1,279,536
Academic support	-	194,504	324	84,358	279,186	263,976
Student services	35,139	169,327	18,368	278,772	501,606	408,592
Institutional support	-	200,810	-	38,318	239,128	11,489
Operation and maintenance of plant	-	-	-	701,316	701,316	287,289
Scholarships and fellowships	12,139	-	-	3,611,623 *	3,623,762	2,960,624
<b>Total Restricted Educational Activities</b>	<b>1,165,349</b>	<b>1,356,931</b>	<b>275,480</b>	<b>5,866,525</b>	<b>8,664,285</b>	<b>6,630,758</b>
<b>Total Educational Activities</b>	<b>26,535,275</b>	<b>1,356,931</b>	<b>9,206,668</b>	<b>18,212,051</b>	<b>55,310,925</b>	<b>51,343,119</b>
Auxiliary Enterprises	1,150,084	-	469,490	2,716,733 **	4,336,307	4,145,733
Depreciation Expense – Buildings and other real estate improvements	-	-	-	3,217,088	3,217,088	3,443,098
Depreciation Expense – Equipment and furniture	-	-	-	1,253,772	1,253,772	1,194,391
<b>Total Operating Expenses</b>	<b>\$ 27,685,359</b>	<b>1,356,931</b>	<b>9,676,158</b>	<b>25,399,644</b>	<b>64,118,092</b> (Exhibit 2)	<b>60,126,341</b> (Exhibit 2)

\* Net of discounts of \$3,560,760

\*\* Net of discounts of \$-0-

**Midland College District**

**Schedule C**

**SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES**

**Year Ended August 31, 2020  
(With Memorandum Totals for the Year Ended August 31, 2019)**

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary Enterprises</u>	<u>2020 Total</u>	<u>2019 Memorandum Total</u>
<b>NON-OPERATING REVENUES:</b>					
State appropriations:					
Education and general state support	\$ 7,728,081	-	-	7,728,081	8,134,696
State group insurance	-	29,898	-	29,898	(138,682)
State retirement matching	-	1,327,033	-	1,327,033	206,260
Permian Basin Petroleum Museum	-	324,057	-	324,057	324,056
	<u>7,728,081</u>	<u>1,680,988</u>	<u>-</u>	<u>9,409,069</u>	<u>8,526,330</u>
Maintenance ad valorem taxes	31,160,243	-	-	31,160,243	28,295,755
Debt service ad valorem taxes	-	2,820,274	-	2,820,274	2,807,826
Federal revenue, non-operating	-	4,017,991	-	4,017,991	4,256,450
Gifts	-	1,145,208	-	1,145,208	1,411,740
Investment income	656,482	-	5,675	662,157	998,289
Contributions in aid of construction	-	4,022,951	-	4,022,951	3,600,000
Additions to permanent endowments	-	41,952	-	41,952	33,095
	<u>39,544,806</u>	<u>13,729,364</u>	<u>-</u>	<u>53,279,845</u>	<u>49,929,485</u>
<b>NON-OPERATING EXPENSES:</b>					
Interest on capital related debt	-	(847,673)	-	(847,673)	(1,212,483)
Loss on disposal of capital assets	(8,837)	-	-	(8,837)	(6,730)
	<u>(8,837)</u>	<u>(847,673)</u>	<u>-</u>	<u>(856,510)</u>	<u>(1,219,213)</u>
Net non-operating revenues	<u>\$ 39,535,969</u>	<u>12,881,691</u>	<u>5,675</u>	<u>52,423,335</u> (Exhibit 2)	<u>48,710,272</u> (Exhibit 2)

**Midland College District**

**Schedule D**

**SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY**

**Year Ended August 31, 2020  
(With Memorandum Totals for the Year Ended August 31, 2019)**

	Detail by Source					Available for Current Operations	
	Unrestricted	Restricted		Capital Assets Net of Depreciation & Related Debt	Total	Yes	No
		Expendable	Non-Expendable				
Current:							
Unrestricted	\$ (3,641,227)	-	-	-	(3,641,227)	(3,641,227)	-
Restricted	-	9,821,035	-	-	9,821,035	9,821,035	-
Auxiliary enterprises	984,959	-	-	-	984,959	984,959	-
Endowment:							
Quasi:							
Unrestricted	-	-	-	-	-	-	-
Endowment:							
True	-	-	5,366,105	-	5,366,105	-	5,366,105
Plant:							
Debt service	-	15,460	-	-	15,460	-	15,460
Investment in plant	-	-	-	77,776,063	77,776,063	-	77,776,063
Total Net Position August 31, 2020	(2,656,268)	9,836,495	5,366,105	77,776,063	90,322,395 (Exhibit 1)	7,164,767	83,157,628
Total Net Position, August 31, 2019	(2,475,049)	11,396,187	5,297,604	71,521,434	85,740,176 (Exhibit 1)	8,821,532	76,918,644
Net Increase (Decrease) in Net Position	\$ (181,219)	(1,559,692)	68,501	6,254,629	4,582,219 (Exhibit 2)	(1,656,765)	6,238,984

Midland College District

Schedule E

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended August 31, 2020

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Direct Awards	Pass Through Awards	Total	Subrecipients Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>					
Student Financial Aid Cluster					
Federal Supplemental Educational Opportunity Grant P007A194070	84.007	\$ 185,053	\$ -	\$ 185,053	\$ -
Federal College Work Study Program P033A194070	84.033	32,431	-	32,431	-
Federal Pell Grant Program P063P193245	84.063	3,802,793	-	3,802,793	-
Federal Direct Student Loans P268K203245	84.268	<u>701,276</u>	<u>-</u>	<u>701,276</u>	<u>-</u>
Total Student Financial Assistance Cluster		4,721,553	-	4,721,553	-
Higher Education Emergency Relief Fund					
COVID-19-Education Stabilization Fund-Student P425E202001	84.425E	435,825	-	435,825	-
COVID-19-Education Stabilization Fund-Institution P425F202641	84.425F	<u>164,712</u>	<u>-</u>	<u>164,712</u>	<u>-</u>
Total Higher Education Emergency Relief Fund		600,537	-	600,537	-
Pass-through from:					
Texas Workforce Commission					
Adult Education and Literacy – Federal / Corrections 1118ALA001	84.002A	-	5,649	5,649	-
Adult Education and Literacy – Federal / Corrections 1118ALAB01	84.002A	-	425,386	425,386	-
Adult Education and Literacy – Federal / Corrections 1118ALAC01	84.002A	-	9,321	9,321	-
Adult Education and Literacy – IET El Civics 1118ALA001	84.002A	-	1,043	1,043	-
Adult Education and Literacy – IET El Civics 1118ALAB01	84.002A	-	52,241	52,241	-
Adult Education and Literacy – IET El Civics 1118ALAC01	84.002A	-	6,427	6,427	-
Local Performance Quality Improvement Award 1120PQI001	84.002A		40,000	40,000	
Workforce Integration Initiative 1120AEL002	84.002A		7,446	7,446	
Total	84.002A	<u>-</u>	<u>547,513</u>	<u>547,513</u>	<u>-</u>
Texas Higher Education Coordinating Board Career and Technical Education – Basic Grants 204250	84.048	<u>-</u>	<u>144,708</u>	<u>144,708</u>	<u>-</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>		<u>5,322,090</u>	<u>692,221</u>	<u>6,014,311</u>	<u>-</u>

Notes to Schedule on following page.

**Midland College District**

**Schedule E**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**

**Year Ended August 31, 2020**

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Direct Awards	Pass Through Awards	Total	Subrecipients Expenditures
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>					
Pass-through from:					
Texas Tech University Health Sciences Center Model State Supported Area Health Education Centers 17082FBV-05	93.107	-	89,478	89,478	-
Permian Basin Workforce Development Board Child Care Scholarship 128-14	93.575	-	17,436	17,436	-
South Plains Community Action Assoc., Inc./Head Start Div. COVID-19-Head Start CARES Act/Covid19 Funding 06CH010880	93.600	-	1,352	1,352	-
South Plains Community Action Assoc., Inc./Head Start Div. Head Start Partnership Agreement 06CH010880	93.600	-	83,149	83,149	-
<b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		-	191,415	191,415	-
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		\$ 5,322,090	883,636	6,205,726	-

**Note 1: Federal Assistance Reconciliation**

Other Operating Revenues -Federal Grants and Contracts revenue – per Schedule A	\$ 1,453,623
Add: Indirect/Administrative Cost Recoveries-per schedule A	31,838
Add: Non-Operating Federal Revenue per Schedule C	4,017,991
Total Federal Revenues per Schedule A and C	5,503,452
Reconciling Item:	
Add: Direct Student Loans	701,276
Add: Return of Federal Pell Grant FY 1819	2,286
Reduce: OPED for Medicare Part D RDS Payment	(1,288)
Total Federal Revenues per Schedule of Expenditures of Federal Awards	\$ 6,205,726

**Note 2: Significant Accounting Policies used in Preparing the Schedule.**

The expenditures included in the schedule are reported for the District's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above represent funds that have been expended by the District for the purposes of the award. The expenditures reported above may not have been reimbursed by the funding agencies as of the end of the fiscal year. Some amounts reported in the schedule may differ from amounts used in the preparation of the general purpose financial statements. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The District has elected to use the 10 percent de minimis cost rate as permitted in the UG, Section 200.414. The District has followed all applicable guidelines issued by various entities in the preparation of the schedule.

**Midland College District**

**Schedule F**

**SCHEDULE OF EXPENDITURES OF STATE AWARDS**

**Year Ended August 31, 2020**

State Grantor/Pass-Through Grantor/ Program Title	Grant/Contract Number	Pass-Through Disbursement and Expenditures
<b>Direct Programs:</b>		
Texas Higher Education Coordinating Board		
Nursing Shortage Reduction FY 2016	16616	\$ 52,211
Nursing Shortage Reduction FY 2017	16616	66,868
Texas College Work Study		12,139
Texas Education Opportunity Grant		212,680
Subtotal – Texas Higher Education Coordinating Board		<u>343,898</u>
<b>Pass-Through From:</b>		
Texas Tech University Health Sciences Center		
Area Health Education Center	FY 20 State	214,350
Subtotal – Pass Through		<u>214,350</u>
<b>Total State Financial Assistance</b>		<b>\$ <u>558,248</u></b>
<u>Note 1: State Assistance Reconciliation</u>		
Total State Financial Assistance		\$ <u>558,248</u>
<b>Total State Revenues per Schedule A</b>		<b>\$ <u>558,248</u></b>

Note 2: Significant Accounting Policies Used in Preparing the Schedule

The expenditures included in the schedule are reported for the District's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above represent funds which have been expended by the District for the purposes of the award. The expenditures reported above may not have been reimbursed by the funding agencies as of the end of the fiscal year. Some amounts reported in the schedule may differ from amounts used in the preparation of the basic financial statements. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The District has followed all applicable guidelines issued by various entities in the preparation of the schedule.



## **SINGLE AUDIT REPORTS**

**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

The Board of Trustees  
Midland College District  
Midland, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Midland College District (the "District"), as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon December 15, 2020.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Compliance with the Texas Public Funds Investment Act**

We have performed tests designed to verify the District's compliance with the requirements of the Texas Public Funds Investment Act. During the year ended August 31, 2020, no instances of noncompliance were noted.

## **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.

This report is intended solely for the information and use of management, the District's trustees, audit committee, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Whitley Penn LLP

Midland, Texas  
December 15, 2020

**Independent Auditors' Report on Compliance  
for Each Major Program and Internal Control  
Over Compliance Required by the Uniform Guidance**

The Board of Trustees  
Midland College District  
Midland, Texas

**Report on Compliance for Each Major Federal Program**

We have audited Midland College District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2020. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 each major federal program. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2020.

### **Report on Internal Control over Compliance**

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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.

Whitley Penn LLP

Midland, Texas  
December 15, 2020

**Midland College District**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**August 31, 2020**

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

<u>Type of Auditor's Report issued</u>	Unmodified
Internal control over financial reporting:	
Material Weaknesses Identified?	No
Significant Deficiencies Identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No
<u>Federal and State Awards</u>	
Internal control over major programs:	
Material Weaknesses Identified?	No
Significant Deficiencies Identified that are 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 2 CFR 200.516 (a)	No
Any questioned costs?	No

**Midland College District**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**August 31, 2020**

Identification of Major Programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.007	Student Financial Aid Cluster: Federal Supplemental Education Opportunity Grant
84.033	Federal College Work-Study Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans
84.425E	Higher Education Emergency Relief Fund COVID-19 Education Stabilization Fund - Student
84.425F	COVID-19 Education Stabilization Fund - Institution
Dollar threshold used to distinguish between type A and type B programs:	Federal programs threshold \$750,000;
Auditee qualified as low-risk auditee?	Yes
SECTION II – FINANCIAL STATEMENT FINDINGS	No matters were reported.
SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS	No matters were reported.
August 31, 2020	No matters were reported.
August 31, 2019	No matters were reported.

**STATISTICAL SUPPLEMENT**



**Midland College District  
Statistical Supplement 1  
Net Position by Component  
Fiscal Years 2011-2020  
(unaudited)**

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b> (as restated)	<b>2012</b>	<b>2011</b>
Net investment in capital assets	\$ 77,776	\$ 71,521	\$ 66,158	\$ 65,124	\$ 64,293	\$ 64,808	\$ 61,459	\$ 59,087	\$ 59,196	\$ 56,980
Restricted - expendable	9,836	11,396	6,025	5,649	5,297	5,194	4667	5,272	5,850	7,485
Restricted - nonexpendable	5,366	5,298	5,168	5,245	5,296	5,307	5346	5,412	5,374	5,016
Unrestricted	(2,656)	(2,475)	(1,813)	19,544	17,202	14,017	20697	19,190	15,477	12,180
<b>Total primary government net position</b>	<b>\$ 90,322</b>	<b>\$ 85,740</b>	<b>\$ 75,538</b>	<b>\$ 95,562</b>	<b>\$ 92,088</b>	<b>\$ 89,326</b>	<b>\$ 92,169</b>	<b>\$ 88,961</b>	<b>\$ 85,897</b>	<b>\$ 81,661</b>

**Midland College District  
Statistical Supplement 2  
Revenues by Source  
Fiscal Years 2011-2020  
(unaudited)**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Tuition and Fees (net of discounts)	\$ 8,360	\$ 9,171	\$ 9,648	\$ 9,839	\$ 9,417	\$ 9,232	\$ 9,778	\$ 10,272	\$ 10,103	\$ 9,595
Federal Grants and Contracts	1,485	897	971	863	1,007	1,459	1,532	2,384	2,693	3,787
State Grants and Contracts	558	756	828	725	543	557	881	614	517	653
Local Grants and Contracts	1,629	5,398	1,934	1,567	1,621	1,734	1,758	1,517	825	817
Non-Governmental Grants and Contracts	2,050	2,318	1,299	1,326	1,498	876	1,035	915	845	885
Sales and services of educational activities	448	691	583	476	623	632	510	430	432	399
Investment income-program restricted	340	358	120	110	142	141	225	12	203	277
Auxiliary enterprises (net of discounts)	762	1,034	817	845	1,049	1,153	1,180	1,192	1,251	1,042
Other operating revenues	644	994	1,394	747	749	603	507	607	586	499
<b>Total Operating Revenues</b>	<b>16,276</b>	<b>21,617</b>	<b>17,594</b>	<b>16,498</b>	<b>16,649</b>	<b>16,387</b>	<b>17,406</b>	<b>17,943</b>	<b>17,455</b>	<b>17,954</b>
State Appropriations	9,409	8,526	10,098	10,680	10,709	11,221	11,106	10,324	10,397	12,687
Ad Valorem Taxes	33,980	31,104	29,169	28,023	27,458	25,453	23,785	22,757	21,180	20,004
Federal Revenue, non-operating	4,018	4,256	4,477	5,400	4,790	4,290	4,017	4,153	5,599	6,850
Gifts	1,145	1,412	1,724	2,094	1,744	2,297	1,491	1,798	1,767	2,083
Investment income	662	998	422	321	185	165	87	24	26	33
Contributions in aid of construction	4,023	3,600	-	-	-	1	21	27	735	3,044
Gain on disposal of fixed assets	-	-	-	-	-	-	18	165	70	-
Additions to permanent endowments	42	33	42	17	34	5	18	244	357	161
<b>Total Non-Operating Revenues</b>	<b>53,279</b>	<b>49,929</b>	<b>45,932</b>	<b>46,535</b>	<b>44,920</b>	<b>43,432</b>	<b>40,543</b>	<b>39,492</b>	<b>40,131</b>	<b>44,862</b>
<b>Total Revenues</b>	<b>\$ 69,555</b>	<b>\$ 71,546</b>	<b>\$ 63,526</b>	<b>\$ 63,033</b>	<b>\$ 61,569</b>	<b>\$ 59,819</b>	<b>\$ 57,949</b>	<b>\$ 57,435</b>	<b>\$ 57,586</b>	<b>\$ 62,816</b>

**Midland College District  
Statistical Supplement 3  
Program Expenses by Function  
Fiscal Years 2011-2020  
(unaudited)**

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
								(as restated)		
Instruction	\$ 19,148	\$ 19,308	\$ 18,118	\$ 20,526	\$ 19,694	\$ 19,169	\$ 18,531	\$ 18,254	\$ 18,336	\$ 19,866
Public service	4,163	3,323	2,777	2,911	2,776	2,542	2,593	2,405	2,112	2,475
Academic support	8,579	8,403	7,408	6,382	6,749	6,085	5,785	6,148	6,311	6,197
Student services	4,276	4,162	3,916	4,271	4,067	3,808	3,777	3,581	3,442	3,374
Institutional support	7,575	7,049	6,529	7,204	6,702	6,605	6,411	6,031	5,234	5,214
Operation and maintenance of plant	7,909	6,099	6,232	5,707	5,968	5,574	5,848	5,494	5,421	5,778
Scholarships & fellowships(net of discounts)	3,661	2,999	3,487	3,672	3,877	2,704	2,908	3,230	3,718	5,921
Auxiliary enterprises (net of discounts)	4,336	4,146	3,507	3,816	3,668	3,627	3,488	3,320	3,027	2,485
Depreciation	4,471	4,637	3,954	3,729	3,720	3,754	3,758	3,803	3,724	3,526
<b>Total Operating Expenses</b>	<b>64,118</b>	<b>60,126</b>	<b>55,928</b>	<b>58,218</b>	<b>57,221</b>	<b>53,868</b>	<b>53,099</b>	<b>52,266</b>	<b>51,325</b>	<b>54,836</b>
Interest on capital related debt	848	1,212	1,170	1,320	1,521	1,527	1,641	1,696	1,994	2,132
Loss on disposal of fixed assets	9	6	3	19	65	4	-	-	-	16
Other non-operating expenses	-	-	-	-	-	-	-	-	31	42
<b>Total Non-Operating Expenses</b>	<b>857</b>	<b>1,218</b>	<b>1,173</b>	<b>1,339</b>	<b>1,586</b>	<b>1,531</b>	<b>1,641</b>	<b>1,696</b>	<b>2,025</b>	<b>2,190</b>
<b>Total Expenses</b>	<b>\$ 64,975</b>	<b>\$ 61,344</b>	<b>\$ 57,101</b>	<b>\$ 59,557</b>	<b>\$ 58,807</b>	<b>\$ 55,399</b>	<b>\$ 54,740</b>	<b>\$ 53,962</b>	<b>\$ 53,350</b>	<b>\$ 57,026</b>

**Midland College District  
Statistical Supplement 4  
Tuition and Fees  
Last Fifteen Academic Years  
(unaudited)**

Resident-Lower Division Fees per Semester Credit Hour
--

Academic Year (Fall)	In-District Tuition	Out-of-District Tuition	General Use Fee	Cost for 12 SCH In-District	Cost for 12 SCH Out-of-District	Increase from Prior Year In-District	Increase from Prior Year Out-of-District
2019-20	\$ 64	\$ 118	\$ 25	\$ 1,068	\$ 1,716	-	-
2018-19	64	118	25	1,068	1,716	-	1.42%
2017-18	64	116	25	1,068	1,692	3.49%	3.68%
2016-17	62	112	24	1,032	1,632	4.88%	3.03%
2015-16	58	108	24	984	1,584	5.13%	5.60%
2014-15	56	103	22	936	1,500	4.00%	2.46%
2013-14	56	103	19	900	1,464	4.17%	6.09%
2012-13	53	96	19	864	1,380	-	8.49%
2011-12	53	87	19	864	1,272	14.29%	21.84%
2010-11	49	73	14	756	1,044	5.00%	6.10%
2009-10	46	68	14	720	984	5.26%	6.49%
2008-09	43	63	14	684	924	7.55%	18.46%
2007-08	43	55	10	636	780	-	0.00%
2006-07	43	55	10	636	780	17.78%	14.04%
2005-06	37	49	8	540	684	-	14.00%

Non-Resident-Lower Division Fees per Semester Credit Hour
--

Academic Year (Fall)	Non-Resident Tuition Out of State	Non-Resident Tuition International	General Use Fee	Cost for 12 SCH Out of State	Cost for 12 SCH International	Increase from Prior Year Out of State	Increase from Prior Year International
2019-20	\$ 160	\$ 160	\$ 25	\$ 2,220	\$ 2,220	-	-
2018-19	160	160	25	2,220	2,220	1.09%	1.09%
2017-18	158	158	25	2,196	2,196	3.98%	3.98%
2016-17	152	152	24	2,112	2,112	2.33%	2.33%
2015-16	148	148	24	2,064	2,064	4.88%	4.88%
2014-15	142	142	22	1,968	1,968	1.86%	1.86%
2013-14	142	142	19	1,932	1,932	4.55%	4.55%
2012-13	135	135	19	1,848	1,848	6.21%	6.21%
2011-12	126	126	19	1,740	1,740	20.83%	20.83%
2010-11	106	106	14	1,440	1,440	4.35%	4.35%
2009-10	101	101	14	1,380	1,380	6.48%	6.48%
2008-09	94	94	14	1,296	1,296	14.89%	14.89%
2007-08	84	84	10	1,128	1,128	-	-
2006-07	84	84	10	1,128	1,128	9.30%	9.30%
2005-06	78	78	8	1,032	1,032	2.38%	2.38%

Note: In addition students may incur course related fees such as laboratory fees, testing fees and certification fees.

**Midland College District  
Statistical Supplement 5  
Assessed Value and Taxable Assessed Value of Property  
Last Fifteen Years  
(unaudited)**

Fiscal Year	(amounts expressed in thousands)			Taxable Assessed Value (TAV)	Ratio of Taxable Assessed Value to Assessed Value	Total Taxes Assessed	Direct Rate		
	Assessed Valuation of Property	Less: Exemptions					Maintenance & Operations (a)	Debt Service (a)	Total (a)
2019-20	\$ 38,603,722	\$ 1,975,688	\$ 36,628,034	94.88%	\$ 33,864	\$ 0.083650	\$ 0.007560	\$ 0.091210	
2018-19	28,353,759	1,588,258	26,765,501	94.40%	31,280	0.104363	0.010358	0.114721	
2017-18	24,308,301	1,440,043	22,868,258	94.08%	29,132	0.113080	0.012170	0.125250	
2016-17	21,769,005	1,435,909	20,333,096	93.40%	27,879	0.123460	0.013650	0.137110	
2015-16	22,806,351	1,450,393	21,355,958	93.64%	26,894	0.112160	0.013770	0.125930	
2014-15	21,632,033	1,308,136	20,323,897	93.95%	25,281	0.109700	0.014700	0.124400	
2013-14	18,998,198	1,121,399	17,876,799	94.10%	23,805	0.117200	0.016000	0.133200	
2012-13	16,560,425	902,788	15,657,637	94.55%	22,575	0.117200	0.017790	0.134990	
2011-12	13,392,179	894,062	12,498,117	93.32%	20,979	0.143800	0.024100	0.167900	
2010-11	12,792,106	1,070,270	11,721,836	91.63%	19,915	0.143940	0.025960	0.169900	
2009-10	12,219,385	1,197,661	11,021,724	90.20%	18,949	0.144600	0.027328	0.171928	
2008-09	11,660,357	1,293,329	10,367,028	88.91%	17,925	0.144600	0.028310	0.172910	
2007-08	9,672,151	977,526	8,694,625	89.89%	16,617	0.157154	0.033966	0.191120	
2006-07	7,985,268	536,613	7,448,655	93.28%	15,359	0.167481	0.038719	0.206200	
2005-06	6,772,061	462,783	6,309,278	93.17%	14,177	0.179400	0.045300	0.224700	

Source: Local Appraisal District

Notes: Property is assessed at full market value.

(a) per \$100 Taxable Assessed Valuation

**Midland College District  
Statistical Supplement 6  
State Appropriation per FTSE and Contact Hours  
Last Fifteen Fiscal Years  
(unaudited)**

Fiscal Year	State Appropriation (000's)	Appropriation per FTSE		Appropriation per Contact Hour			
		FTSE (1)	State Appropriation per FTSE	Academic Contact Hours (a) (000's)	Voc/Tech Contact Hours (a,b) (000's)	Total Contact Hours (000's)	State Appropriation per Contact Hour
2019-20	\$ 7,728	3,125	\$ 2,473	1,158	670	1,828	\$ 4.23
2018-19	8,135	3,376	2,409	1,390	700	2,090	3.89
2017-18	8,135	2,829	2,875	1,449	736	2,185	3.72
2016-17	7,690	3,134	2,454	1,643	732	2,375	3.24
2015-16	7,679	3,742	2,052	1,684	767	2,451	3.13
2014-15	8,514	3,742	2,275	1,594	696	2,290	3.72
2013-14	8,514	3,807	2,236	1,700	819	2,519	3.38
2012-13	8,206	4,111	1,996	1,829	899	2,728	3.01
2011-12	8,526	4,289	1,988	1,874	962	2,836	3.01
2010-11	8,879	4,518	1,965	1,966	1,062	3,028	2.93
2009-10	9,340	4,348	2,148	1,898	1,032	2,930	3.19
2008-09	9,877	3,989	2,476	1,742	939	2,681	3.68
2007-08	9,877	3,988	2,477	1,673	973	2,646	3.73
2006-07	9,371	4,041	2,319	1,715	944	2,659	3.52
2005-06	9,371	4,012	2,336	1,691	936	2,627	3.57

(a) Source CBM001

(b) Source CBM00A

Notes:

(1) FTSE is calculated by the following formula:

$$\frac{\text{(Total Semester Hours Taken by Credit Students (a))}}{30} + \frac{\text{(Total Contact Hours Taken by CE Students(b))}}{900}$$

	Voc-Tech Contact Hrs (000's)		Total
	Credit	CE	
19-20	575	95	670
18-19	567	133	700
17-18	565	171	736
16-17	603	129	732
15-16	561	206	767
14-15	486	210	696
13-14	564	255	819
12-13	631	268	899
11-12	750	212	962
10-11	863	199	1062
09-10	879	153	1032
08-09	782	157	939
07-08	779	194	973
06-07	740	204	944
05-06	717	219	936

**Midland College District  
Statistical Supplement 7  
Faculty, Staff, and Administrators Statistics  
Last Fifteen Academic Years  
(unaudited)**

	Fiscal Year														
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Faculty</b>															
Full-Time	125	137	141	134	133	142	145	147	145	135	154	155	141	134	129
Part-Time	112	111	153	146	157	124	121	148	162	195	184	160	156	135	120
Total	237	248	294	280	290	266	266	295	307	330	338	315	297	269	249
<b>Percent</b>															
Full-Time	52.7%	55.2%	48.0%	47.9%	45.9%	53.4%	54.5%	49.8%	47.2%	40.9%	45.6%	49.2%	47.5%	49.8%	51.8%
Part-Time	47.3%	44.8%	52.0%	52.1%	54.1%	46.6%	45.5%	50.2%	52.8%	59.1%	54.4%	50.8%	52.5%	50.2%	48.2%
<b>Staff and Administrators</b>															
Full-Time	241	264	284	287	276	260	262	252	263	264	254	256	249	239	241
Part-Time	288	382	285	311	157	301	315	327	328	258	357	320	375	358	369
Total	529	646	569	598	433	561	577	579	591	522	611	576	624	597	610
<b>Percent</b>															
Full-Time	45.6%	40.9%	49.9%	48.0%	63.7%	46.3%	45.4%	43.5%	44.5%	50.6%	41.6%	44.4%	39.9%	40.0%	39.5%
Part-Time	54.4%	59.1%	50.1%	52.0%	36.3%	53.7%	54.6%	56.5%	55.5%	49.4%	58.4%	55.6%	60.1%	60.0%	60.5%
Students per Full-Time Faculty	41.5	38.6	39.6	42.3	40.9	32.5	36.1	37.6	41.9	47.1	40.5	37.3	40.7	43.4	43.3
Students per Full-Time Staff Member	21.5	20.0	19.7	19.7	19.7	17.8	20.0	21.9	23.1	24.1	24.5	22.6	23.0	24.3	23.2
Average Annual Faculty Salary	\$65,433	\$64,725	\$62,257	\$62,257	\$61,444	\$61,064	\$58,940	\$57,463	\$52,169	55,834	55,216	54,623	52,021	50,636	49,335
<b>Notes:</b>															
Fall Headcount	5184	5282	5589	5664	5439	4618	5236	5531	6071	6358	6230	5784	5733	5819	5589

**Midland College District  
Statistical Supplement 8  
Schedule of Capital Asset Information  
Fiscal Years 2011 to 2020**  
(unaudited)

	<b>Fiscal Year</b>									
	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>
<b>Academic buildings</b>	22	22	22	22	22	22	22	22	22	22
Square footage (in thousands)	560	560	520	520	520	520	520	520	520	520
<b>Libraries</b>	1	1	1	1	1	1	1	1	1	1
Square footage (in thousands)	52	52	52	52	52	52	52	52	52	52
<b>Administrative and support buildings</b>	7	5	5	5	5	5	5	5	5	5
Square footage (in thousands)	85	85	70	70	70	70	70	70	70	70
<b>Dormitories</b>	3	3	3	3	3	3	3	3	3	3
Square footage (in thousands)	91	91	91	91	91	91	91	91	91	91
Number of Beds	286	286	286	286	286	286	286	286	286	286
<b>Apartments</b>	11	10	10	10	10	10	10	10	10	10
Square footage (in thousands)	12	12	12	12	12	12	12	12	12	12
Number of beds	22	20	20	20	20	20	20	20	20	20
<b>Dining Facilities</b>	1	1	1	1	1	1	1	1	1	1
Square footage (in thousands)	20	11	11	11	11	11	11	11	11	11
<b>Athletic Facilities</b>	6	6	6	6	6	6	6	6	6	6
Square footage (in thousands)	136	136	136	136	136	136	136	136	136	136
Multipurpose Center	1	1	1	1	1	1	1	1	1	1
Gymnasiums	2	2	2	2	2	2	2	2	2	2
Softball Dressing Facility	1	1	1	1	1	1	1	1	1	1
Baseball Practice Facility	1	1	1	1	1	1	1	1	1	1
Tennis Pro Shop	1	1	1	1	1	1	1	1	1	1
<b>Plant facilities</b>	2	2	2	2	2	2	2	2	2	2
Square footage (in thousands)	29	26	26	26	26	26	26	26	26	26
<b>Chapel</b>	1	1	1	1	1	1	1	1	1	1
Square footage (in thousands)	2	2	2	2	2	2	2	2	2	2
<b>Childrens Center</b>	4	1	1	1	1	1	1	1	1	1
Square footage (in thousands)	15	15	11	11	11	11	11	11	11	11
<b>Transportation</b>										
Cars	14	16	11	12	11	9	12	9	9	9
Light Trucks/Vans	23	20	20	20	20	20	25	22	22	22
Heavy trucks	12	12	13	9	8	8	6	5	4	4
Buses	11	12	8	8	8	8	8	7	7	7



**Midland College District  
Statistical Supplement 9  
Head Count Enrollment Trend  
Last Fifteen Fiscal Years  
Credit Hour Students Only  
(Unaudited)**

<b>Fiscal Year</b>	<b>Fall</b>	<b>Spring</b>	<b>Sum I</b>	<b>Sum II</b>	<b>Duplicated Total</b>	<b>Unduplicated Total</b>
2019-20	5,131	6,029	1,592	1,593	14,345	7,656
2018-19	5,282	6,087	1,529	1,529	14,427	8,292
2017-18	5,589	6,405	1,418	1,418	14,830	8,448
2016-17	5,664	7,253	3,207	1,968	18,092	9,662
2015-16	5,439	7,136	3,727	2,353	18,655	10,183
2014-15	4,618	6,527	3,533	2,422	17,100	9,512
2013-14	5,236	6,276	3,220	2,310	17,042	9,522
2012-13	5,531	6,826	3,664	2,656	18,677	10,616
2011-12	6,071	6,976	3,572	2,710	19,329	10,856
2010-11	6,358	7,316	3,507	2,682	19,863	11,131
2009-10	6,230	6,803	3,080	2,899	19,012	10,726
2008-09	5,784	6,321	2,530	2,546	17,181	9,608
2007-08	5,733	6,288	2,381	2,411	16,813	9,453
2006-07	5,819	6,076	2,158	2,184	16,237	9,039
2005-06	5,589	5,923	2,356	1,974	15,842	8,591

Data Source: CBM001