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**Midland  
College**

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**MIDLAND COLLEGE**  
**Financial Statements and**  
**Independent Auditor's Report**  
August 31, 2018

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**MIDLAND COLLEGE DISTRICT**

**ORGANIZATIONAL DATA**

**As of August 31, 2018**

**BOARD OF TRUSTEES**

**Officers**

Mr. G. Larry Lawrence  
Ms. Linda Cowden  
Paul Morris

Chairperson  
Vice-Chairperson  
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. 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. Kenneth A. Peeler	Midland, Texas	2020
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. Dennis Sever	Vice President of Information Technology & Facilities
Ms. Julia Vickery	Vice President of Student Services
Dr. Deana Savage	Special Advisor to the President
Ms. Rebecca Bell	Executive Director of Institutional Advancement
Ms. Lauren Callo	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, 2018 and 2017, 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, 2018 and 2017, 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 5-15 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 51-52 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 54-55, 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 70 through 78 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 61 and F on page 63 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 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 70 thru 78 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report December 13, 2018, 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.

*Johnson, Miller & Co., CPA's PC*

Midland, Texas  
December 13, 2018

## 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, 2018, 2017 and 2016. 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.

## Change in Accounting Principle

The District adopted Governmental Accounting Standards Statement Number 75 ("GASB 75"), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in 2018. The adoption of this standard has resulted in dramatic changes in the presentation of the District's Statement of Net Position. Furthermore, due to the nature of the standard it was not possible to restate the 2017 financial statements. The District has elected to restate the beginning 2018, net position and present the 2017 financial statements without restatement. Accordingly, non-concurrent liabilities, unrestricted net position, deferred outflows of resources and deferred inflow of resources are not consistent with the 2017 presentation.

## Financial and Enrollment Highlights

- The District's total net position was \$75.5 million compared to the restated 2017 net position of \$69.1 million. The 2017 net position prior to restatement was \$95.6 million.
- The District's financial standing was strengthened as total net position increased by approximately \$6.4 million during fiscal year 2018 and by approximately \$3.5 million during fiscal year 2017. Of these amounts, unrestricted net position increased by approximately \$5.1 million and \$2.3 million for fiscal years 2018 and 2017, respectively.
- The net assessed valuation of the tax district increased by approximately \$2.5 billion or 12.5%, from 2017 to 2018 and decreased by \$1 billion or 4.78% from 2016 to 2017. Taxable values were approximately \$22.9 billion in 2018 and \$20.3 billion in 2017.
- Bonded indebtedness decreased by approximately \$3.3 million in fiscal year 2018 and by approximately \$3.3 million during fiscal year 2017.
- During fiscal year 2018, the unduplicated head count of credit students decreased by 1,214, duplicated head count of credit students decreased by 3,262, and total contact hours decreased by approximately 116,000.
- During fiscal year 2017, the unduplicated head count of credit students decreased by 521, duplicated head count of credit students decreased by 563, and total contact hours decreased by approximately 83,000.

**The Statements of Net Position**

The Statements of Net Position includes all assets, deferred outflow 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 outflow 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.

<b>Condensed Statements of Net Position</b>					
(in thousands)					
	<b>Fiscal Year</b>			<b>Increase/(Decrease)</b>	
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2017 to 2018</b>	<b>2016 to 2017</b>
<b>Assets</b>					
Current Assets	\$ 32,741	27,137	30,666	5,604	(3,529)
Non-current Assets	16,201	17,795	13,122	(1,594)	4,673
Capital Assets - (Non-current)	<u>96,202</u>	<u>98,141</u>	<u>100,194</u>	<u>(1,939)</u>	<u>(2,053)</u>
<b>Total Assets</b>	<u>145,144</u>	<u>143,073</u>	<u>143,982</u>	<u>2,071</u>	<u>(909)</u>
<b>Deferred Outflows of Resources</b>	<u>6,387</u>	<u>4,487</u>	<u>5,278</u>	<u>1,900</u>	<u>(791)</u>
<b>Liabilities:</b>					
Current Liabilities	9,695	9,369	10,962	326	(1,593)
Net Pension Liability	6,689	7,939	7,597	(1,250)	342
Other Post Employment Benefits	22,544	-	-	22,544	-
Other Noncurrent Liabilities	<u>29,406</u>	<u>32,671</u>	<u>36,005</u>	<u>(3,265)</u>	<u>(3,334)</u>
<b>Total Liabilities</b>	<u>68,334</u>	<u>49,979</u>	<u>54,564</u>	<u>18,355</u>	<u>(4,585)</u>
<b>Deferred Inflows of Resources</b>	<u>7,658</u>	<u>2,019</u>	<u>2,608</u>	<u>5,639</u>	<u>(589)</u>
<b>Net Position:</b>					
Invested in capital assets, net of related debt	66,158	65,124	64,293	1,034	831
Restricted-Nonexpendable	5,168	5,245	5,296	(77)	(51)
Restricted-Expendable	6,026	5,649	5,297	377	352
Unrestricted	<u>(1,813)</u>	<u>19,544</u>	<u>17,202</u>	<u>(21,357)</u>	<u>2,342</u>
<b>Total Net Position</b>	<u>\$ 75,539</u>	<u>95,562</u>	<u>92,088</u>	<u>(20,023)</u>	<u>3,474</u>
<b>Current Ratio</b>	3.38	2.90	2.80		

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

As a result of the adoption of GASB 75 in 2018, the District has recognized its proportionate share of deferred outflows, deferred inflows and post-employment benefit liabilities related to its participation in the group health insurance program of the Employers Retirement System of Texas (ERS). Under the participation agreement, some of the District's employees may become eligible for post-employment health benefits.

As of August 31, 2018, the District's Statement of Net Position reflects a liability for post-employment benefits other than pensions of approximately \$22.5 million, deferred inflows of resources of approximately \$5 million and deferred outflows of resources of approximately \$2.7 million related to the new accounting standard. In addition, beginning unrestricted net position has been reduced by approximately \$26.5 million. Without the change in accounting principle, total net position would have increased by approximately \$6.4 million and unrestricted net position would have increased by approximately \$3.6 million.

Due to the nature of the change in accounting principle, prior year's financial statements cannot be restated. While comparative financial statements are presented, readers are encouraged to consider the change in accounting principle when making comparisons to the prior year.

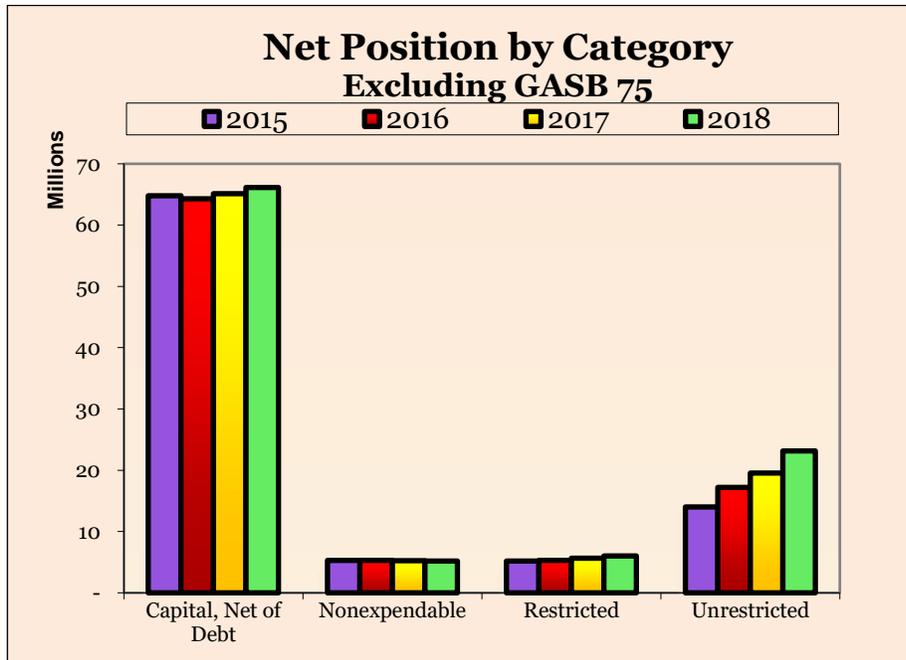
The reduction in net position and the resulting deficit in unrestricted net position are due to a change in accounting principle and are not an indication of a deteriorating financial condition. In fact, if the effects of the change in accounting principle are removed from consideration, the District's financial condition reflects consistent strength and improvement.

In 2018 total assets increased by approximately \$2.1 million, deferred outflows of resources increased by approximately \$1.9 million while total liabilities increased by approximately \$18.4 million and deferred inflows of resources increased by approximately \$5.6 million. The dramatic increase in liabilities, deferred outflows and deferred inflows is related to the adoption of the new accounting standard. Excluding the effect of the new accounting standard, liabilities would have decreased by \$4.3 million in 2018. This decrease is largely due to \$3.3 million in principal payments made on long-term debt.

In 2017 total assets decreased by \$909 thousand, deferred outflows of resources decreased by approximately \$791 thousand while total liabilities decreased by approximately \$4.6 million and deferred inflows of resources decreased by approximately \$589 thousand. The changes in the deferred outflow and deferred inflow of resources is the result of the District's recognition of actuarial changes and other changes related to the pension plan. The decrease in liabilities is primarily the result of debt service payments made on long-term debt.

**Statements of Net Position (Continued)**

The graph below reflects the growth of Net Position without the adjustment for GASB 75.



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 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 as 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. While unrestricted net position reflects a deficit of approximately \$1.8 million, this would have been a surplus of \$23.4 million without the most recent accounting change.

**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.

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

Total revenues and total expenses should be considered in 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, 2018, 2017 and 2016. This summary indicates the operating loss and the overall increase in net position for each of the years displayed.

<b>Condensed Schedule of Revenues, Expenses and Changes in Net Position</b>					
(in thousands)					
	<b>Fiscal Year</b>			<b>Changes</b>	
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2017 to 2018</b>	<b>2016 to 2017</b>
<b>Operating Revenues and Expenses:</b>					
Operating revenues (see detail below)	\$ 17,596	16,498	16,649	1,098	(151)
Operating expenses	<u>55,930</u>	<u>58,219</u>	<u>57,222</u>	<u>(2,289)</u>	<u>997</u>
Operating loss	(38,334)	(41,721)	(40,573)	3,387	(1,148)
<b>Non-operating Revenues (Expenses):</b>					
State appropriations	10,098	10,681	10,709	(583)	(28)
Ad valorem taxes	29,170	28,023	27,458	1,147	565
Federal, non-operating	4,477	5,400	4,790	(923)	610
Gifts	1,724	2,094	1,744	(370)	350
Interest on capital related debt	(1,170)	(1,321)	(1,521)	151	200
Other non-operating revenues	<u>461</u>	<u>319</u>	<u>154</u>	<u>142</u>	<u>165</u>
Total non-operating revenues, net	44,760	45,196	43,334	(436)	1,862
Increase in net position	6,426	3,475	2,761	2,951	714
Net position - beginning of year (restated)	<u>69,113</u>	<u>92,088</u>	<u>89,327</u>	<u>(22,975)</u>	<u>2,761</u>
Net position - end of year	<u>\$ 75,539</u>	<u>95,563</u>	<u>92,088</u>	<u>(20,024)</u>	<u>3,475</u>

**Revenues**

As shown in the following schedule, total revenues increased from 2017 to 2018 and from 2016 to 2017. Operating revenues increased from 2017 to 2018 but decreased from 2016 to 2017. The decrease was primarily related to a decrease in grants and contracts. Non-operating revenues decreased from 2017 to 2018 and increased from 2016 to 2017. These increases are primarily the result of increasing Ad Valorem tax revenue.

	<b>Tuition and Fees</b> (in thousands)					
	<b>2018</b>		<b>2017</b>		<b>2016</b>	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
In-district tuition	\$ 4,087	28.5%	4,286	27.8%	3,861	26.1%
Out-of-district tuition	3,669	25.5%	4,105	26.6%	4,165	28.1%
Non-resident tuition	853	5.9%	910	5.9%	753	5.1%
TPEG set aside-credit programs	407	2.8%	395	2.6%	393	2.7%
<b>Total Tuition-Credit Programs</b>	<b>9,016</b>	<b>62.8%</b>	<b>9,696</b>	<b>62.9%</b>	<b>9,172</b>	<b>61.9%</b>
Mandatory fees	2,793	19.4%	3,029	19.7%	2,997	20.2%
Other fees	1,146	8.0%	1,362	8.8%	1,366	9.2%
<b>Total Credit Programs Tuition and Fees</b>	<b>12,955</b>	<b>90.2%</b>	<b>14,087</b>	<b>91.4%</b>	<b>13,535</b>	<b>91.4%</b>
Continuing Education and Workforce Training	1,341	9.3%	1,264	8.2%	1,216	8.2%
TPEG set aside non-credit programs	67	0.5%	61	0.4%	57	0.4%
<b>Gross Tuition and Fees</b>	<b>\$ 14,363</b>	<b>100.0%</b>	<b>15,412</b>	<b>100.0%</b>	<b>14,808</b>	<b>100.0%</b>

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

**2017 to 2018 Changes**

Total revenues increased by \$511 thousand from 2017 to 2018. Of this amount, operating revenues increased by \$1.1 million from 2017 to 2018 and non-operating revenues decreased by \$586 thousand. Decreases in tuition and gifts, grants and contracts were offset by increases in ad valorem taxes, investment income and general operating revenues.

Total ad valorem taxes were approximately \$1.2 million or 4.1% higher in 2018 as compared to 2017. The net assessed valuation of the district increased in 2018 by approximately 2.5 billion or 12.5%. The total tax rate for the District was \$0.1253 per \$100 of valuation compared to \$0.1372 for 2017.

In 2018, the District faced enrollment pressures related to a very robust economy. In addition, the conversion to a new ERP system caused disruption to the admissions process affecting summer enrollments. This disruption primarily affected out-of-district and non-resident student enrollments.

**2016 to 2017 Changes**

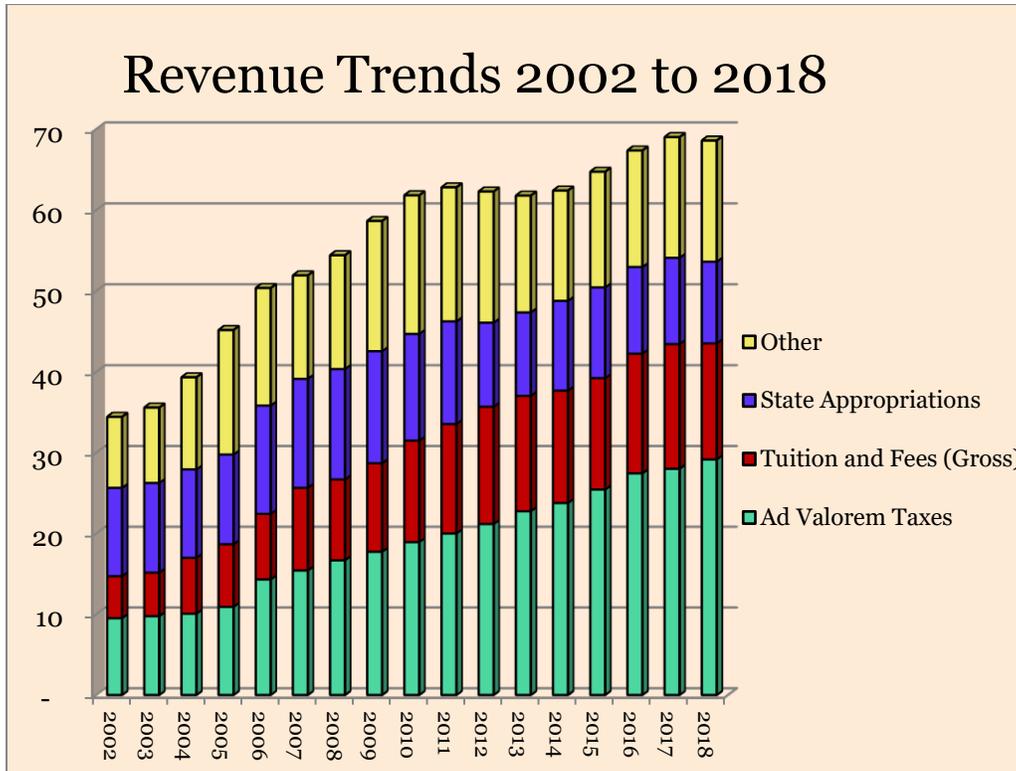
Total revenues increased by approximately \$1.5 million in 2017. Of this amount, operating revenues decreased by approximately \$151 thousand and non-operating revenues increased by approximately \$1.6 million. Gross tuition and fees increased by approximately \$604 thousand.

The increase in tuition and fees for 2017 is the result of increases in tuition and fee rates. Contact hours decreased from the prior year by less than 1%. Tuition and mandatory fee rates increased by \$4 per semester credit hour for most students. This increase represented a 4.9% increase for in-district students and approximately 3% and 2.3% for out-of-district and nonresident student respectively.

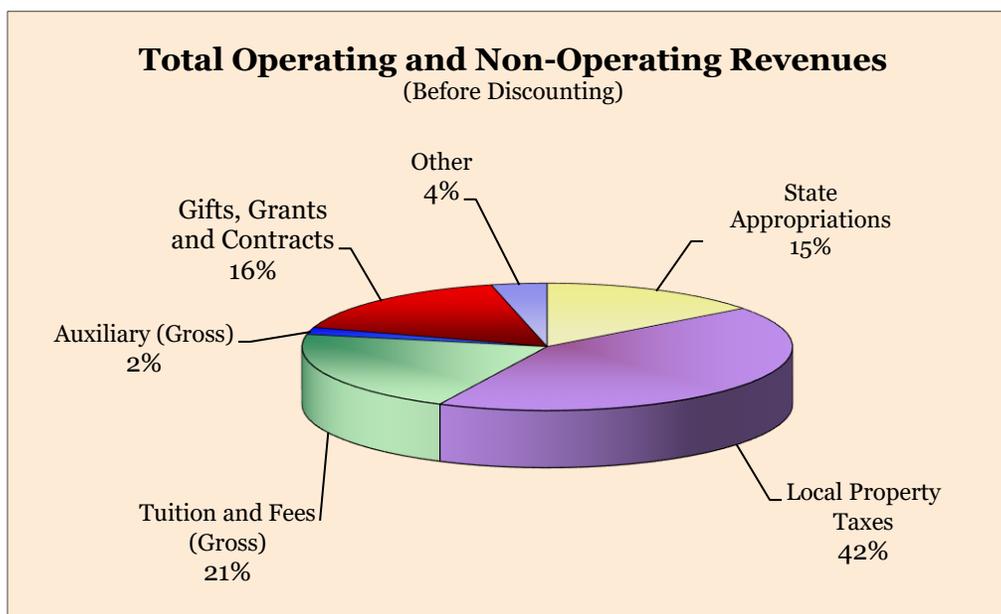
Total ad valorem taxes were approximately \$565 thousand or 2.1% higher in 2017 as compared to 2016. The net assessed valuation of the District decreased in 2017 by approximately 1 billion. The total tax rate for the district was \$0.1372 per \$100 of valuation compared to \$0.1259 for 2016.

**Revenues (Continued)**

The following chart graphically displays revenue trends.



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)**

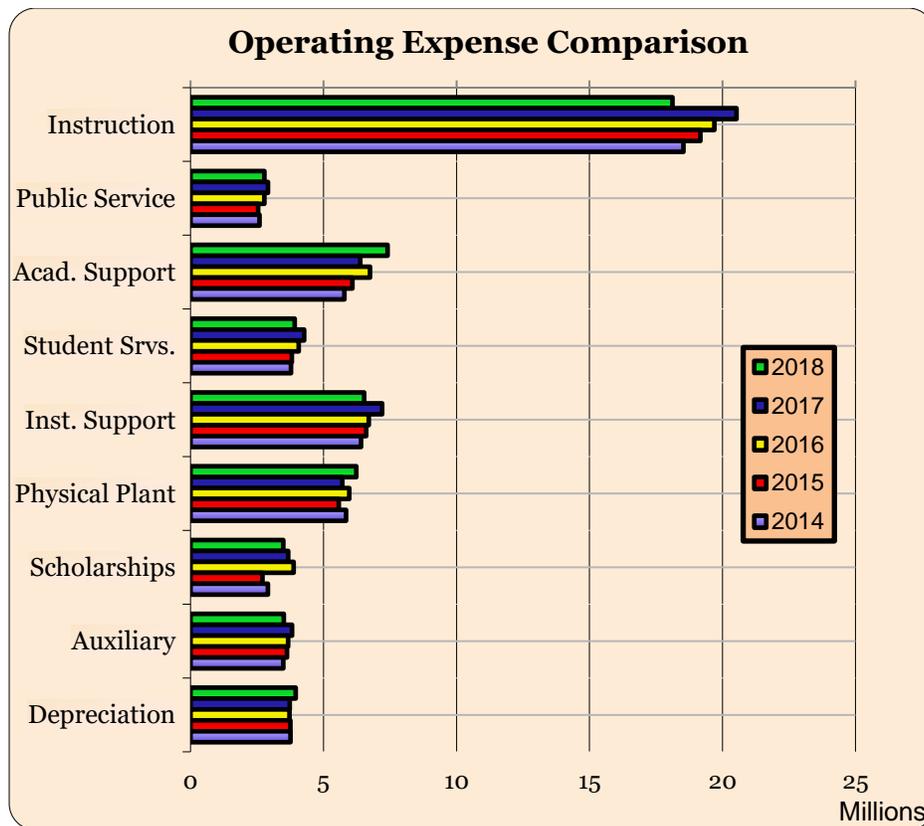
The following table illustrates the composition of total revenue for 2018 compared to 2002.

	Percentage of Total Revenues	
	2018	2002
State Appropriations	15%	30%
Local Property Taxes	42%	26%
Tuition and Fees (Gross)	21%	14%
Gifts Grants & Contracts	16%	23%
Auxiliary Services	2%	3%
Other	4%	4%
	<u>100%</u>	<u>100%</u>

**Operating Expenses by Functional Classification**

Functional classifications are the traditional categories that have been used to show expenses. They represent the type of programs and services provided. The following chart shows the District’s 2018 expenses compared to the 2017, 2016, 2015 and 2014 expenses.

A substantial portion of scholarships and capital projects are funded from private gifts, grants and contracts. This includes instructional equipment and operating costs which are funded from annual grants made by the Midland College Foundation, Inc. While each year the District receives substantial revenue from private sources, the amounts are not consistent from year-to-year.



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

Total reported operating expenses were approximately \$2.3 million less in 2018 than in 2017; however, approximately \$2.7 million in health insurance cost that would have been reported as expenses using the accounting standard used in 2017 have been recorded as deferred outflows of resources on the Statement of Net Assets in 2018. If the difference in accounting principle is considered, expenses would have increased by approximately \$400 thousand in 2018.

Total operating expenses were approximately \$997 thousand (1.7%) more in 2017 than in 2016. Of this amount, unrestricted operating expenses increased by \$870 thousand, restricted expenses decreased by approximately \$30 thousand, auxiliary expenses increased by \$147 thousand and depreciation expense increased by \$9 thousand. The increase in unrestricted expenses is primarily due to increases in salary and benefits. Unrestricted salaries and wages were approximately \$514 thousand more in 2017 than in 2016.

**Statements of Cash Flow**

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 flows needed to meet its obligations as they come due and its need for external financing.

<b>Summary of Statement of Cash Flows</b>			
	<b>2018</b>	<b>2017</b>	<b>2016</b>
Cash Provided By (Used in):			
Operating Activities	\$ (34,235,028)	(34,873,941)	(34,295,404)
Non-Capital Financing Activities	41,124,950	41,014,496	39,035,899
Capital and Related Financing Activities	(3,369,247)	(3,064,633)	(2,921,527)
Investing Activities	795,636	324,856	(5,927,496)
Changes in Cash and Cash Equivalents	<u>\$ 4,316,311</u>	<u>3,400,778</u>	<u>(4,108,528)</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 allocations and ad valorem taxes were the primary source of non-capital financing. Accounting standards require that we reflect this source of revenue as non-operating, even though these resources are classified as 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 \$2 million and \$1.7 million in 2018 and 2017, respectively. Depreciation expense was approximately \$4 million and 3.7 million in 2018 and 2017 respectively.

<b>Schedule of Capital Assets</b>			
(in thousands)			
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Land	\$ 2,550	2,550	2,550
Library Books & Collections	426	435	451
Construction in Progress	287	1,064	923
Buildings & Improvements	79,141	80,045	81,105
Land Improvements	8,362	8,820	9,230
Furniture, Equipment, Vehicles	5,436	5,227	5,935
	<u>\$ 96,202</u>	<u>98,141</u>	<u>100,194</u>

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 \$30.9 million and \$34.8 million as of August 31, 2018 and 2017, respectively.

<b>Schedule of Outstanding Debt</b>			
(in thousands)			
	<u>2018</u>	<u>2017</u>	<u>2016</u>
General Obligation Bonds	\$ 21,176	24,135	26,471
Revenue Bonds	9,740	10,685	11,615
	<u>\$ 30,916</u>	<u>34,820</u>	<u>38,086</u>

**Economic Factors That Will Affect the Future**

The economic condition of the District is influenced by both the state and local economic environment. According to the Midland Economic Index, taxable spending has experienced 36% year-over-year growth including growth in automotive sales 33%, hotel receipts 100%, building permits 69%, and increases in home sale price 14%. The Texas Workforce Commission reported that the Midland statistical area saw near record unemployment of 2.1 percent in October 2018, down from 2.4 percent in October of 2017. The strong local economy has resulted in long-term increases to the District's assessed valuations, while simultaneously presenting challenges in terms of student enrollment.

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

There has been a long-term trend of decreasing state support for community college education; however, 2018-2019 biennium appropriations for the District are slightly higher than the previous funding period. This increase is due to higher base year contact hours than reported in the previous base year. Midland College, along with all Texas community colleges, will continue to face the growing challenge of providing quality educational services and workforce training in the face of diminishing state resources.

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 2018-19 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/RickBender

Rick Bender

Vice President of Administrative Services

## **FINANCIAL STATEMENTS**

**Midland College District**

**Exhibit 1**

**STATEMENTS OF NET POSITION**

**August 31,**

	2018	2017
<b>ASSETS:</b>		
Current Assets:		
Cash and cash equivalents	\$ 18,611,152	14,256,238
Short-term investments	11,187,509	10,013,911
Accounts receivable, net	2,424,890	2,122,087
Inventories	5,364	4,517
Prepaid expenses	491,128	719,532
Deposits	20,472	20,472
Total current assets	32,740,515	27,136,757
Non-current Assets:		
Restricted cash and cash equivalents	1,129,394	1,167,997
Endowment investments	5,346,229	5,372,061
Other long-term investments	9,664,477	11,197,372
Net capital assets	96,201,475	98,140,691
Other assets-split interest agreements	61,514	58,032
Total non-current assets	112,403,089	115,936,153
Total Assets	145,143,604	143,072,910
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Deferred outflows related to pensions	2,132,667	2,582,128
Deferred outflows on refunding of debt	1,550,133	1,905,367
Deferred outflows related to other post-employment benefits	2,704,225	-
Total deferred outflows	6,387,025	4,487,495
Total assets and deferred outflows	\$ 151,530,629	147,560,405
<b>LIABILITIES:</b>		
Current Liabilities:		
Accounts payable	\$ 1,616,758	1,804,237
Accrued liabilities	933,185	869,063
Accrued compensable absences – current portion	871,755	686,506
Other post-employment benefits liability – current portion	114,974	-
Funds held for others	758,103	632,929
Unearned revenues	2,059,496	2,021,905
Bonds payable – current portion	3,311,893	3,328,127
Deposits	28,770	26,800
Total current liabilities	9,694,934	9,369,567
Non-current Liabilities:		
Accrued compensable absences	1,226,468	1,179,231
Net pension liability	6,688,879	7,938,654
Other Post-Employment Benefits Liability	22,544,025	-
Bonds payable – non-current portion	28,179,740	31,491,633
Total non-current liabilities	58,639,112	40,609,518
Total Liabilities	68,334,046	49,979,085

**Midland College District**

**Exhibit 1**

**STATEMENTS OF NET POSITION (CONTINUED)**

**August 31,**

	<u>2018</u>	<u>2017</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows related to pensions	\$ 2,647,934	2,018,829
Deferred inflows-related to Other Post-Employment Benefits	<u>5,010,015</u>	<u>-</u>
	<u>7,657,949</u>	<u>2,018,829</u>
NET POSITION:		
Net invested in capital assets	66,158,105	65,124,426
Restricted for:		
Nonexpendable:		
Endowments	5,168,087	5,244,770
Expendable:		
Student aid	3,211,065	3,087,600
Instructional programs	2,384,120	2,345,689
Debt service	430,363	215,887
Unrestricted	<u>(1,813,106)</u>	<u>19,544,119</u>
Total Net Position (Schedule D)	\$ <u>75,538,634</u>	<u>95,562,491</u>
Total liabilities, deferred inflows, and net position	\$ <u>151,530,629</u>	<u>147,560,405</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,**

	2018	2017
<b>OPERATING REVENUES</b>		
Tuition and fees (net of discounts of \$4,713,497 and \$5,572,318, respectively)	\$ 9,648,591	9,839,132
Federal grants and contracts	970,980	863,079
State grants and contracts	828,115	725,108
Local grants and contracts	1,934,420	1,566,811
Non-governmental grants and contracts	1,299,291	1,326,147
Sales and services of educational activities	582,967	475,814
Investment income – program restricted	120,081	110,042
Auxiliary enterprises (net of discounts of \$352,744 and \$419,658, respectively)	817,402	845,206
General operating revenues	1,393,689	747,010
Total operating revenues (Schedule A)	17,595,536	16,498,349
<b>OPERATING EXPENSES</b>		
Instruction	18,118,523	20,526,179
Public service	2,777,008	2,911,124
Academic support	7,408,571	6,381,633
Student services	3,916,595	4,271,408
Institutional support	6,528,889	7,204,219
Operation and maintenance of plant	6,232,290	5,707,000
Scholarships and fellowships (net of discounts of \$3,865,481 and \$4,504,113, respectively)	3,487,231	3,671,660
Auxiliary enterprises (net of discounts of \$352,744 and \$419,658, respectively)	3,506,725	3,816,156
Depreciation	3,953,912	3,729,481
Total operating expenses (Schedule B)	55,929,744	58,218,860
<b>OPERATING LOSS</b>	<b>(38,334,208)</b>	<b>(41,720,511)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
State appropriations	10,098,381	10,680,584
Maintenance ad valorem taxes	26,340,038	25,230,945
Debt service ad valorem taxes	2,829,448	2,792,130
Federal revenue, non-operating	4,477,438	5,399,503
Gifts	1,723,908	2,093,945
Investment income	422,481	321,315
Contributions in aid of construction	-	-
Interest on capital related debt	(1,170,438)	(1,320,871)
(Loss) gain on disposal of fixed assets	(3,413)	(19,127)
Additions to permanent endowments	42,192	16,890
Net non-operating revenues (Schedule C)	44,760,035	45,195,314

**Midland College District**

**Exhibit 2**

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

**Years ended August 31,**

	<u>2018</u>	<u>2017</u>
Increase in net position	\$ 6,425,827	3,474,803
Net position – beginning of year	95,562,491	92,087,688
Cumulative Effect of Change in Accounting Principle (Note 2)	<u>(26,449,684)</u>	<u>-</u>
Net Position - Beginning of Year, as restated	<u>69,112,807</u>	<u>92,087,688</u>
Net position – End of Year	<u>\$ 75,538,634</u>	<u>95,562,491</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,**

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from students and other customers	\$ 11,034,275	9,779,779
Receipts from grants and contracts	5,035,192	4,623,424
Payments to suppliers for goods and services	(14,672,585)	(15,101,473)
Payments to or on behalf of employees	(33,526,034)	(33,383,072)
Payments for scholarships and fellowships	(3,583,971)	(1,761,130)
Other receipts	1,478,095	968,531
Net cash used in operating activities	(34,235,028)	(34,873,941)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Receipts from state appropriations	8,458,910	8,045,573
Receipts from ad valorem taxes – operating and maintenance	26,300,810	25,118,542
Receipts from non-operating federal revenue	4,477,438	5,399,503
Receipts from gifts or grants for other than capital purposes	1,723,908	2,093,945
Receipts from student organizations and other agency transactions	758,103	558,681
Payments to student organizations and other agency transactions	(632,929)	(215,353)
Receipts from private gifts for endowment purposes	38,710	13,605
Net cash provided by non-capital financing activities	41,124,950	41,014,496
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Receipts from ad valorem taxes – debt services	2,831,019	2,779,407
Purchases of capital assets	(2,021,609)	(1,692,122)
Payments on capital debt – principal	(3,080,000)	(2,980,000)
Payments on capital debt – interest	(1,098,657)	(1,171,918)
Net cash used in capital and related financing activities	(3,369,247)	(3,064,633)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	34,324,034	36,142,934
Interest on investments	410,506	237,210
Purchase of investments	(33,938,904)	(36,055,288)
Net cash provided by investing activities	795,636	324,856
Increase in cash and cash equivalents	4,316,311	3,400,778
Cash and cash equivalents – September 1	15,424,235	12,023,457
Cash and cash equivalents – August 31	\$ 19,740,546	15,424,235

**Midland College District**

**Exhibit 3**

**STATEMENTS OF CASH FLOWS (CONTINUED)**

**Years ended August 31,**

	2018	2017
Reconciliation of net operating loss to net cash used by operating activities:		
Operating loss	\$ (38,334,208)	(41,720,511)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation expense	3,953,912	3,729,481
Payments made directly by state for benefits	1,639,470	2,635,011
Changes in related assets and liabilities:		
Receivables, net	(87,537)	537,188
Prepaid expenses	62,770	1,837,000
Inventories	(847)	7,091
Deferred outflows	(2,254,764)	392,368
Accounts payable	249,862	(691,438)
Accrued liabilities	(5,372,883)	621,689
Compensated absences	232,486	27,246
Unearned revenue	37,591	(1,660,141)
Deferred inflows	5,639,120	(588,925)
Net cash used by operating activities	\$ (34,235,028)	(34,873,941)

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

## Midland College District

### NOTES TO FINANCIAL STATEMENTS

August 31, 2018 and 2017

#### 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.

##### *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.

## Midland College District

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2018 and 2017

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

##### *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.

##### *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 are stated at the lower of cost or market, determined using the first-in, first-out method.

## Midland College District

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2018 and 2017

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

##### *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.

##### *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.

## Midland College District

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2018 and 2017

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

##### *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.

##### *Prior Year Restatement*

##### Restatement to Beginning Net Position

Effective for fiscal year 2018, the District implemented GASB Statement No. 75, Accounting for OPEB. Accordingly, a restatement to beginning net position was required for the recording of the beginning net OPEB liability and for the recording of deferred outflows of resources related to OPEB for contributions made to the ERS OPEB plan subsequent to the measurement date of the beginning net OPEB liability.

Because audited beginning balances could not be obtained for all of the deferred outflows of resources and deferred inflows of resources related to OPEB, the District determined it was impractical to restate its fiscal year 2017 financial statements. As such, the District recorded a restatement to beginning net position in the fiscal year 2018 financial statements as a cumulative effect of a change in accounting principle.

Beginning net position as of September 1, 2017 has been restated as follows for the implementation of GASB Statement No. 75:

Beginning Net Position	\$	95,562,491
Cumulative effect of change in accounting principle (GASB 75):		
Beginning Net OPEB liability (measurement date as of August 31, 2017)		(27,072,687)
Deferred outflow for District contributions to ERS plan during FY17		<u>623,003</u>
Beginning Net Position, as restated	\$	<u>69,112,807</u>

## Midland College District

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2018 and 2017

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

##### *New Accounting Pronouncements*

GASB Statement 82, “Pension issues – an amendment of GASB Statements 67, 68, and 73.”

The objective of this statement is to address certain issues that have been raised with respect to Statements 67, Financial Reporting for Pension Plans; 68, Accounting and Financial Reporting for Pensions; 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68; and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this statement for the selection of assumptions in a circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.

GASB Statement 83, “Certain Asset Retirement Obligations.”

This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). It requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred and requires that a deferred outflow of resources associated with an ARO be measured at the amount of the corresponding liability upon initial measurement. In addition, this statement requires the current value of a government’s AROs to be adjusted for the effects of general inflation or deflation, at least annually, and requires a government to evaluate all relevant factors, at least annually, to determine whether the effects of one or more of the factors are expected to significantly change the estimated asset retirement outlays. In cases where governments are legally required to provide funding or other financial assurance for their performance of asset retirement activities, this statement requires disclosure of how those funding and assurance requirements are being met, as well as the amount of any assets restricted for payment of the government’s AROs, if not separately displayed in the financial statements. This statement also requires disclosure of information about the nature of a government’s AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

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 are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

## Midland College District

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2018 and 2017

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

##### *New Accounting Pronouncements (Continued)*

GASB Statement 85, “Omnibus 2017.”

The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
- Reporting amounts previously reported as goodwill and “negative” goodwill
- Classifying real estate held by insurance entities
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
- Classifying employer-paid member contributions for OPEB
- Simplifying certain aspects of the alternative measurement method for OPEB
- Accounting and financial reporting for OPEB provided through certain multiple-employer-defined benefit OPEB plans

The requirements of this statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

## Midland College District

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2018 and 2017

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

##### *New Accounting Pronouncements (Continued)*

##### GASB Statement 86, “Certain Debt Extinguishment Issues.”

The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this statement are effective for reporting periods beginning after June 15, 2017. 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 are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

##### GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, effective fiscal 2019. GASB 88 defines debt as a liability that arises from a contractual obligation to pay cash (or other assets in lieu of cash) in one or more payments to settle a fixed amount, requires additional disclosures including unused lines of credit, assets pledged as collateral and terms related to significant events of default with finance-related consequences, significant termination events with finance-related consequences and significant subjective acceleration clauses, and clarifies which liabilities governments should disclose debt-related information.

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

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective fiscal 2019. GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period, affirms that interest cost includes all interest previously accounted for in accordance with the requirements of GASB 62, requires interest cost incurred before the end of a construction period to be recognized as an expense in the fiscal year in which the cost is incurred for financial statements prepared using the economic resources measurement focus and requires interest cost incurred before the end of a construction period to be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

## Midland College District

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2018 and 2017

#### 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.

**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, 2018 and 2017, the carrying amount of the District's deposits was \$9,032,787 and \$6,940,234, respectively; and bank balances equaled \$7,134,916 and \$4,793,276. Bank balances of \$542,646 and \$513,539 are covered by federal depository insurance and \$6,980,906 and \$5,644,384 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 \$578,806 and \$553,647 in state approved public investment pools at August 31, 2018 and 2017, respectively.

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

	<b>Cash and Deposits</b>	
	<u>2018</u>	<u>2017</u>
Bank Deposits		
Demand Deposits	\$ 2,529,437	2,135,790
Money Market Deposits	6,503,350	4,804,444
	<u>9,032,787</u>	<u>6,940,234</u>
Cash and Cash Equivalent:		
Petty Cash on Hand	6,645	6,581
Investments due within 90 days	10,701,114	8,477,420
	<u>10,707,759</u>	<u>8,484,001</u>
Total Cash and Deposits	\$ <u>19,740,546</u>	<u>15,424,235</u>

## Midland College District

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2018 and 2017

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

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

Type of Security	August 31, 2018 Market Value	August 31, 2017 Market Value
U.S Government Securities	\$ 15,203,819	13,414,183
Public Funds Investment Pools	578,806	553,647
Municipal Bonds	8,185,704	10,546,934
Certificates of Deposit	<u>12,931,000</u>	<u>10,546,000</u>
Total Investments	<u>\$ 36,899,329</u>	<u>35,060,764</u>
Total Cash and Deposits	\$ 9,039,432	6,946,815
Total Investments	<u>36,899,329</u>	<u>35,060,764</u>
Total Deposits and Investments	<u>\$ 45,938,761</u>	<u>42,007,579</u>
Cash and Temporary Investments (Exhibit 1)	\$ 19,740,546	15,424,235
Investments (Exhibit 1)	<u>26,198,215</u>	<u>26,583,344</u>
Total Deposits and Investments	<u>\$ 45,938,761</u>	<u>42,007,579</u>

As of August 31, 2018 the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities in Years			
		Less than 1	1 to 2	2 to 5	5 to 10
Public Funds Investment Pools	\$ 578,806	578,806	-	-	-
U.S. Government Securities	15,203,819	5,190,657	7,808,832	2,204,330	-
Municipal Bonds	8,185,704	5,751,672	626,663	1,807,369	-
Certificates of Deposit	<u>12,931,000</u>	<u>10,755,000</u>	<u>1,928,000</u>	<u>248,000</u>	-
Total Fair Value	<u>\$ 36,899,329</u>	<u>22,276,135</u>	<u>10,363,495</u>	<u>4,259,699</u>	-

As of August 31, 2017 the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities in Years			
		Less than 1	1 to 2	2 to 5	5 to 10
Public Funds Investment Pools	\$ 553,647	553,647	-	-	-
U.S. Government Securities	13,414,183	6,911,903	3,094,160	3,408,120	-
Municipal Bonds	10,546,934	3,764,497	4,398,047	2,384,390	-
Certificates of Deposit	<u>10,546,000</u>	<u>7,859,000</u>	<u>2,439,000</u>	<u>248,000</u>	-
Total Fair Value	<u>\$ 35,060,764</u>	<u>19,089,047</u>	<u>9,931,207</u>	<u>6,040,510</u>	-

**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.

## Midland College District

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2018 and 2017

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

**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, 2018 and 2017 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 FHLM Bonds (31.83%), FHLB Bonds (30.97%), FNMA Bonds (13.19%) and US Treasury Notes (19.28%).

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

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

The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the government can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

At August 31, 2018 and 2017, all investments (as listed in Note 4), except for certificates of deposits are level 1; certificates of deposit are level 2.

#### 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, 2018	
Assessed valuation of the District	\$ 24,308,300,691
Less exemptions	<u>1,440,042,838</u>
Net assessed valuation of the District	<u>\$ 22,868,257,853</u>
At August 31, 2017	
Assessed valuation of the District	\$ 21,769,004,814
Less exemptions	<u>1,435,909,326</u>
Net assessed valuation of the District	<u>\$ 20,333,095,488</u>

**Midland College District**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

August 31, 2018 and 2017

**NOTE 6 – AD VALOREM TAXES RECEIVABLE (CONTINUED)**

At August 31, 2018

	Maintenance and Operation	Debt Service	Total
Authorized tax rate per \$100 valuation (Maximum per enabling legislation)	\$ .3000	.5000	.8000
Assessed tax rate per \$100 valuation	\$ .1131	.0122	.1253

At August 31, 2017

	Maintenance and Operation	Debt Service	Total
Authorized tax rate per \$100 valuation (Maximum per enabling legislation)	\$ .3000	.5000	.8000
Assessed tax rate per \$100 valuation	\$ .1235	.0137	.1372

Taxes levied for the years ended August 31, 2018 and 2017 are \$28,642,493 and \$27,878,707, 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, 2018

<u>Taxes Collected</u>	Current Operations	Debt Service	Total
Current taxes collected	\$ 25,779,554	2,774,911	28,554,465
Delinquent taxes collected	296,624	31,929	328,553
Penalties and interest collected	<u>224,631</u>	<u>24,179</u>	<u>248,810</u>
Total collections	\$ <u>26,300,809</u>	<u>2,831,019</u>	<u>29,131,828</u>

At August 31, 2017

<u>Taxes Collected</u>	Current Operations	Debt Service	Total
Current taxes collected	\$ 24,659,292	2,728,591	27,387,883
Delinquent taxes collected	226,709	25,086	251,795
Penalties and interest collected	<u>232,541</u>	<u>25,731</u>	<u>258,272</u>
Total collections	\$ <u>25,118,542</u>	<u>2,779,408</u>	<u>27,897,950</u>

**Midland College District**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**August 31, 2018 and 2017**

**NOTE 6 – AD VALOREM TAXES RECEIVABLE (CONTINUED)**

Tax collections (including penalties, interest and delinquent collections) for the years ended August 31, 2018 and 2017 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:

	2018	2017
Current unrestricted fund	\$ 877,824	817,474
Debt service fund	102,596	105,012
	980,420	922,486
Allowance for uncollectible taxes	(343,147)	(322,870)
Net ad valorem taxes receivable	\$ 637,273	599,616

**NOTE 7 – CAPITAL ASSETS**

Capital assets activity for the year ended August 31, 2018, was as follows:

	Balance September 1, 2017	Increases	Decreases	Balance August 31, 2018
<u>Not Depreciated:</u>				
Land	\$ 2,550,250	-	-	2,550,250
Collectibles	49,000	-	-	49,000
Construction in process	187,149	357,749	257,528	287,370
Other assets in process	876,548	291,724	1,168,272	-
Subtotal	3,662,947	649,473	1,425,800	2,886,620
<u>Other Capital Assets:</u>				
Buildings	112,285,338	1,425,800	-	113,711,138
Land improvements	11,803,571	-	-	11,803,571
Leasehold improvements	572,427	-	-	572,427
Library books	2,142,666	47,704	-	2,190,370
Furniture, machinery, vehicles and other equipment	17,112,711	1,320,932	61,880	18,371,763
Subtotal	143,916,713	2,794,436	61,880	146,649,269
<u>Accumulated Depreciation:</u>				
Buildings	32,767,083	2,308,724	-	35,075,807
Land improvements	2,983,506	457,973	-	3,441,479
Leasehold improvements	45,867	22,016	-	67,883
Library books	1,756,287	56,757	-	1,813,044
Furniture, machinery, vehicles and other equipment	11,886,226	1,108,442	58,467	12,936,201
Subtotal	49,438,969	3,953,912	58,467	53,334,414
Net other capital assets	94,477,744	(1,159,476)	3,413	93,314,855
Net capital assets	\$ 98,140,691	(510,003)	1,429,213	96,201,475

**Midland College District**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**August 31, 2018 and 2017**

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

Capital assets activity for the year ended August 31, 2017, was as follows:

	<u>Balance September 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance August 31, 2017</u>
<u>Not Depreciated:</u>				
Land	\$ 2,550,250	-	-	2,550,250
Collectibles	49,000	-	-	49,000
Construction in process	379,221	501,128	693,200	187,149
Other assets in process	543,534	333,014	-	876,548
Subtotal	<u>3,522,005</u>	<u>834,142</u>	<u>693,200</u>	<u>3,662,947</u>
<u>Other Capital Assets:</u>				
Buildings	111,213,138	1,072,200	-	112,285,338
Land improvements	11,803,571	-	-	11,803,571
Leasehold improvements	572,427	-	-	572,427
Library books	2,100,855	41,811	-	2,142,666
Furniture, machinery, vehicles and other equipment	16,824,738	451,568	163,595	17,112,711
Subtotal	<u>142,514,729</u>	<u>1,565,579</u>	<u>163,595</u>	<u>143,916,713</u>
<u>Accumulated Depreciation:</u>				
Buildings	30,657,349	2,109,734	-	32,767,083
Land improvements	2,573,960	409,546	-	2,983,506
Leasehold improvements	23,851	22,016	-	45,867
Library books	1,698,536	57,751	-	1,756,287
Furniture, machinery, vehicles and other equipment	10,889,361	1,130,434	133,569	11,886,226
Subtotal	<u>45,843,057</u>	<u>3,729,481</u>	<u>133,569</u>	<u>49,438,969</u>
Net other capital assets	<u>96,671,672</u>	<u>(2,163,902)</u>	<u>30,026</u>	<u>94,477,744</u>
Net capital assets	<u>\$ 100,193,677</u>	<u>(1,329,760)</u>	<u>723,226</u>	<u>98,140,691</u>

**NOTE 8 – LONG-TERM LIABILITIES**

Long-term liability activity for the year ended August 31, 2018, was as follows:

	<u>Balance September 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance August 31, 2018</u>	<u>Current Portion</u>
<u>Bonds</u>					
General obligation bonds	\$ 24,134,760	-	2,383,127	21,751,633	2,441,893
Revenue bonds	10,685,000	-	945,000	9,740,000	870,000
Total bonds	<u>34,819,760</u>	<u>-</u>	<u>3,328,127</u>	<u>31,491,633</u>	<u>3,311,893</u>
<u>Other liabilities</u>					
Compensated absences	1,865,737	281,676	49,190	2,098,223	871,755
Net pension liability	7,938,654	1,323	1,251,100	6,688,879	-
Net OPEB liability	-	29,420,398	6,761,399	22,658,999	114,974
Total other liabilities	<u>9,804,391</u>	<u>29,703,397</u>	<u>8,061,689</u>	<u>31,446,101</u>	<u>986,729</u>
Total long-term liabilities	<u>\$ 44,624,151</u>	<u>29,703,397</u>	<u>11,389,816</u>	<u>62,937,734</u>	<u>4,298,622</u>

**Midland College District**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**August 31, 2018 and 2017**

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

Long-term liability activity for the year ended August 31, 2017, was as follows:

	Balance September 1, 2016	Additions	Reductions	Balance August 31, 2017	Current Portion
<u>Bonds</u>					
General obligation bonds	\$ 26,470,703	-	2,335,943	24,134,760	2,383,127
Revenue bonds	11,615,000	-	930,000	10,685,000	945,000
Total bonds	<u>38,085,703</u>	<u>-</u>	<u>3,265,943</u>	<u>34,819,760</u>	<u>3,328,127</u>
<u>Other liabilities</u>					
Compensated absences	1,838,491	154,643	127,397	1,865,737	686,506
Net pension liability	7,596,747	1,010,716	668,809	7,938,654	-
Total other liabilities	<u>9,435,238</u>	<u>1,165,359</u>	<u>796,206</u>	<u>9,804,391</u>	<u>686,506</u>
Total long-term liabilities	<u>\$ 47,520,941</u>	<u>1,165,359</u>	<u>4,062,149</u>	<u>44,624,151</u>	<u>4,014,633</u>

**NOTE 9 – DEBT OBLIGATIONS**

Bonds Payable

Debt service requirements at August 31, 2018, were as follows:

For the Year Ended August 31,	Revenue Bonds		General Obligation Bonds		Total Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 870,000	219,087	2,230,000	766,450	3,100,000	985,537
2020	905,000	194,513	2,335,000	675,150	3,240,000	869,663
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
2024-2028	<u>5,145,000</u>	<u>323,662</u>	<u>8,855,000</u>	<u>404,625</u>	<u>14,000,000</u>	<u>728,287</u>
Total cash payments	<u>9,740,000</u>	<u>1,196,656</u>	<u>21,165,000</u>	<u>3,225,825</u>	<u>30,905,000</u>	<u>4,422,481</u>
Unamortized Prem/Disc	<u>-</u>	<u>-</u>	<u>586,633</u>	<u>(586,633)</u>	<u>586,633</u>	<u>(586,633)</u>
Total	<u>\$ 9,740,000</u>	<u>1,196,656</u>	<u>21,751,633</u>	<u>2,639,192</u>	<u>31,491,633</u>	<u>3,835,848</u>

## Midland College District

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2018 and 2017

#### NOTE 10 – BONDS PAYABLE

##### 2008 Revenue Bonds

- District Building Revenue Bond and Refunding, Series 2008
- The bond was used to complete construction and purchase equipment for college buildings and facilities.
- Issued on July 30, 2008
- Original amount issued, \$12,355,000; amount authorized, \$12,355,000
- Source of payment – pledged revenues

Bonds payable are due in semi-annual installments varying from \$133,418 to \$639,033, at an interest rate of 4.94%. The final installment was originally due on 2008, but due to refunding the final payment was made in April 2018.

##### 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

Bonds payable are due at semi-annual installments varying from \$648,181 to \$3,234,766 with interest rates ranging from 2% to 22.9%. The average coupon rate is 3.7%. The final installment is due in 2026.

##### 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

Bonds payable are due at 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

**Midland College District**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**August 31, 2018 and 2017**

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

**Receivables**

Receivables at August 31, were as follows:

	2018	2017
Student Receivables	\$ 1,562,212	1,563,609
Taxes Receivable	980,420	922,486
State Receivable	158,498	112,481
Federal Receivable	274,820	240,879
Accounts Receivable	617,893	509,889
Interest Receivable	276,711	264,735
Subtotal	3,870,554	3,614,079
Allowance for Doubtful Accounts	(1,445,664)	(1,491,992)
<b>Total Receivables</b>	<b>\$ 2,424,890</b>	<b>2,122,087</b>

**Payables**

Payables at August 31, were as follows:

	2018	2017
Vendors Payable	\$ 1,616,758	1,685,854
Students Payable	-	118,383
<b>Total Payables</b>	<b>\$ 1,616,758</b>	<b>1,804,237</b>

**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.

## Midland College District

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2018 and 2017

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

##### **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.

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

**Midland College District**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**August 31, 2018 and 2017**

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

**D. Contributions (Continued)**

	Contribution Rates	
	<u>2017</u>	<u>2018</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
District	6.8%	6.8%
2017 District Contributions	\$ 685,906	
2017 State of Texas On-behalf Contributions	\$ 458,882	
2017 Member Contributions	\$ 1,258,893	

The District’s contributions to the TRS plan in 2018 were \$694,489 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 2018 were \$490,997.

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, 2018 and 2017**

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

**E. Actuarial Assumptions**

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

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Single Discount Rate	8.0%
Long-term expected Investment Rate of Return*	8.0%
Municipal Bond Rate*	N/A
Last year ending August 31 in the 2016 to 2015 Projection period (100 years)	2116
Inflation	2.5%
Salary Increases*	3.5% to 9.5%
Benefit changes during the year	None
Ad-hoc post-employment benefit changes	None

\*If a municipal bond rate was to be used, the rate would be 3.42 percent as of August 2017 (i.e., the weekly rate closest to but not later than the Measurement Date). The source for the rate is the Federal Reserve Income Market Data/Yield Curve/ Data Municipal Bond w/20 years to maturity that include only federally tax-exempt muni bonds as reported in Fidelity Index’s “20 Year Municipal Go AA Index.”

**F. Discount Rate**

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was 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 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018 are summarized on the following page:

**Midland College District**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**August 31, 2018 and 2017**

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

**F. Discount Rate (Continued)**

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Geometric Real Rate of Return</b>	<b>Expected Contribution to Long-Term Portfolio Returns*</b>
<b>Global Equity:</b>			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
<b>Stable Value:</b>			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	-%	1.8%	-%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	-%
<b>Real Return:</b>			
Global Inflation Linked Bonds	3%	0.9%	-%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	-%	1.2%	-%
<b>Risk Parity:</b>			
Risk Parity	5%	6.7%	0.3%
Inflation expectation			2.2%
Alpha			1.0%
<b>Total</b>	<b>100%</b>		<b>8.7%</b>

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

Source: Teacher Retirement System of Texas 2017 Comprehensive Annual Financial Report

**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 8% in measuring the 2017 Net Pension Liability.

	<u>1% Decrease in Discount Rate 7.0%</u>	<u>Discount Rate 8.0%</u>	<u>1% Increase in Discount rate 9.0%</u>
The District's proportionate share of the net pension liability: \$	11,276,129	6,688,879	2,869,249

**Midland College District**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

August 31, 2018 and 2017

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

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

At August 31, 2018, the District reported a liability of \$6,688,879 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	\$	6,688,879
State’s proportionate share that is associated with the District		<u>4,490,670</u>
Total	\$	<u><u>11,179,549</u></u>

The net pension liability was measured as of August 31, 2017 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, 2016 thru August 31, 2017.

At the measurement date of August 31, 2017 the employer’s proportion of the collective net pension liability was 0.0209193%, which was a decrease of 0.0008876% from its proportion measured as of August 31, 2016.

For the year ended August 31, 2018, the District recognized pension expense of \$342,530 and revenue of \$577,871 for support provided by the State. Refer to the 2018 schedule of On-Behalf Contributions for this information posted on the TRS website under GASB 67 & 68.

At August 31, 2018, 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	\$ 97,861	360,722
Changes in actuarial assumptions	304,689	174,427
Difference between projected and actual investment earnings	1,028,672	1,516,143
Changes in proportion and difference between the employer’s contributions and proportionate share of contributions	-	596,642
Contributions paid to TRS subsequent to the measurement date	<u>701,445</u>	<u>-</u>
Total	<u><u>\$ 2,132,667</u></u>	<u><u>2,647,934</u></u>

**Midland College District**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**August 31, 2018 and 2017**

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

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

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:

<u>Year ended August 31:</u>	<u>Pension Expense Amount</u>
2018	(360,345)
2019	66,624
2020	(393,142)
2021	(484,984)
2022	(34,815)
Thereafter	(10,050)

**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% for 2017 and 6.65% for 2016, but was funded at 2.97% and 2.97%, respectively, after the reduction in accordance with Senate Bill (S.B.) 1812. 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.

The retirement expense for the Optional Retirement Program to the State for the District was \$226,909 and \$201,721 for the fiscal years ended August 31, 2018 and 2017, 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 \$27,338,633 and \$27,245,698 for fiscal years 2018 and 2017, respectively. The total payroll of employees covered by the Optional Retirement Program was \$7,318,813 and \$7,328,053 for fiscal years 2018 and 2017, 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.

## Midland College District

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2018 and 2017

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

**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.

The following table summarizes the maximum monthly employer contribution toward eligible retirees’ health and basic life premium. The District reimburses retirees only for dental insurance up to \$26.61 and optional life insurance up to \$23.40. 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 FY17

Retiree only	\$	617.30
Retiree & Spouse		970.98
Retiree & Children		854.10
Retiree & Family		1,207.78

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

## Midland College District

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2018 and 2017

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

##### Premium Contributions by Source Group Benefits Program Plan For the Years Ended August 31, 2018 and 2017

	2018	2017
Employers	\$ 890,735,173	663,986,538
Members (employees)	195,806,162	183,284,339
Nonemployer Contributing Entity (State of Texas)	44,433,743	-

Source: ERS FY2017 Comprehensive Annual Financial Report

**Actuarial Assumptions.** The total OPEB liability was determined by an actuarial valuation as of August 31, 2017 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, 2017
Actuarial cost method	Entry Age
Amortization method	Level Percent of Pay, Open
Remaining amortization period	30 years
Asset valuation method	N/A
Discount rate	3.51%
Projected annual salary increase (includes inflation)	2.50% to 9.50%
Annual healthcare trend rate	8.50% for 2019, decreasing .05% per year to 4.50% for 2027 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 full generational projection using Scale BB from Base Year 2014.
Disability retirees	Tables based on TRS experience with full generational projection using Scale BB from Base Year 2014 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 full generational projection using Scale BB.

Source: 2017 ERS CAFR except for mortality assumptions obtained from ERS 2017 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, 2014 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, 2018 and 2017

**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 5.50%. The discount rate used to measure the total OPEB liability as of the end of the measurement year was 3.51%, which amounted to a decrease of 1.99%. 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 3.51% in measuring the net OPEB Liability.

	1% Decrease in Discount Rate 2.51%	Discount Rate 3.51%	1% Increase in Discount Rate 4.51%
District's Properties share of the net OPEB liability	\$ 27,048,223	22,658,999	19,259,153

**Healthcare Trend Rate Sensitivity Analysis.** The initial healthcare trend rate is 8.5% 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 (4.5%) in measuring the net OPEB liability.

	1% Decrease Healthcare Cost Trend Rates 7.5% decreasing to 3.5%	Current Healthcare Cost Trend Rates 8.5% decreasing to 4.5%	1% Increase in Healthcare Cost trend Rates 9.5% decreasing to 5.5%
District's Properties share of the net OPEB liability	\$ 19,048,739	22,658,999	27,344,517

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.** At August 31, 2018, the District reported a liability of \$22,658,999 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	\$ 22,658,999
State's Proportionate share that is associated with District	<u>19,971,590</u>
	\$ <u>42,630,589</u>

## Midland College District

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2018 and 2017

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

The net OPEB liability was measured as of August 31, 2017, 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, 2016, thru August 31, 2017.

At the measurement date of August 31, 2017, the employer's proportion of the collective net OPEB liability was 0.0665%, which was the same proportion measured as of August 31, 2016.

For the year ended August 31, 2018, the District recognized OPEB expense of \$1,068,801 and revenue of \$1,068,801 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:

- Additional demographic assumptions (aggregate payroll increases and rate of general inflation) to reflect an experience study;
- The percentage of current and future retirees and retirees' spouses not yet eligible to participate in the HealthSelect Medicare Advantage plan who will elect to participate at the earliest date at which coverage can commence has been updated to reflect recent plan experience and expected trends;
- Assumptions for administrative expenses, assumed per Capita Health Benefit Costs, Health Benefit Cost and Retiree Contribution trends to reflect recent health plan experience;
- Effects in short-term expectations and revised assumed rate of general inflation.

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 cost applicable to services obtained at a free-standing emergency facility;
- An elimination of the copayment for virtual visits;
- A copay reduction for Airrosti and for out-of-state participants;
- Elimination of the deductible for in-network services and application of a copayment rather than coinsurance to certain services like primary care and specialist visits.

These minor benefit changes have been reflected in the fiscal year 2018 Assumed Per Capita Health Benefit Costs.

**Midland College District**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

August 31, 2018 and 2017

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

At August 31, 2018 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	\$ -	272,289
Changes in actuarial assumptions	-	4,737,726
Difference between projected and actual investment earnings	6,709	-
Changes in proportion and difference between the employer’s contributions and the proportionate share of contributions	-	-
Changes paid to ERS subsequent to the measurement date	2,697,516	-
Total	<u>\$ 2,704,225</u>	<u>5,010,015</u>

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

Year ended August 31:	OPEB Expense Amount
2019	\$ 1,126,704
2020	1,126,704
2021	1,126,704
2022	1,126,704
2023	496,490
Thereafter	-

**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 \$713,354 and \$686,506 on August 31, 2018 and 2017, 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 \$1,144,455 and \$1,109,536 on August 31, 2018 and 2017, respectively. As of August 31, 2018, non-exempt employees have accrued approximately \$158,401 in compensatory time.

## Midland College District

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2018 and 2017

#### NOTE 17 – FUND BALANCES

Ending fund balances at August 31 were as follows:

	<u>2018</u>	<u>2017</u>
Current funds:		
Fund balance, unrestricted	\$ (2,798,065)	18,481,487
Fund balance, auxiliary enterprises	984,959	1,062,632
Fund balance, restricted	<u>6,025,548</u>	<u>5,649,177</u>
Total current fund balance	4,212,442	25,193,296
Fund balance, endowment and similar funds	5,168,087	5,244,770
Fund balance, plant funds	<u>66,158,105</u>	<u>65,124,425</u>
Fund balance, primary government	<u>\$ 75,538,634</u>	<u>95,562,491</u>

#### NOTE 18 – 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 19 – 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 2018 and 2017 for which monies have not been received nor funds expended total \$403,376 and \$349,200, respectively. All of these amounts were from federal contract and grant awards.

#### NOTE 20 – 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, 2018 and 2017.

#### NOTE 21 – 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 \$3,482 and \$3,285 representing the discounted present value of the expected distributions for the years ended August 31, 2018 and 2017, respectively. The contribution receivable was approximately \$61,514 and \$58,032 as of August 31, 2018 and 2017, respectively.

**Midland College District**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**August 31, 2018 and 2017**

**NOTE 22 – COMMITMENTS**

As of August 31, 2018, the District has awarded the following contracts for projects that are in progress:

CS Advantage USAA Inc - ATC	\$	253,187
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**NOTE 23 – 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 \$3,528,719 and \$843,050 in fiscal years 2018 and 2017, respectively. Two trustees of the District are also on the Board of Directors of the Foundation.

**NOTE 24 – 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 college to be used for operation of a Branch Campus at Fort Stockton, Texas. This revenue is reported under Local Grants and Contracts.

	2018	2017
County or Independent School District:	Collections (including penalties and interest)	Collections (including penalties and interest)
Pecos County	\$ 990,251	962,730

**NOTE 25 – SUBSEQUENT EVENTS**

Management of the District has performed an evaluation of the District’s activity through December 13, 2018, 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, 2018**

<b>Fiscal year ending August 31,*</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014**</b>
District's proportionate share of collective net pension liability (%)	.0209193 %	0.0210081 %	0.0214909 %	0.0240000 %
District's proportionate share of collective net pension liability (\$)	\$ 6,688,879	7,938,654	7,596,747	6,410,732
State's proportionate share of net pension liability associated with District	<u>4,490,670</u>	<u>5,568,440</u>	<u>5,178,200</u>	<u>4,326,729</u>
Total	\$ 11,179,549	13,507,094	12,774,947	10,737,461
District's covered-employee payroll	\$ 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-employee payroll	40.91 %	49.29 %	49.79 %	45.13 %
Plan fiduciary net position as percentage of the total pension liability	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.

**Midland College District**

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

**For the Year Ended August 31, 2018**

<b>Fiscal year ending August 31,*</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015**</b>
Legally required contributions	\$ 701,445	685,906	686,879	606,222
Actual contributions	<u>701,445</u>	<u>685,906</u>	<u>686,879</u>	<u>606,222</u>
Contributions deficiency (excess)	-	-	-	-
District's covered employee payroll amount	\$ 16,884,581	16,349,262	16,106,059	15,256,625
Contributions as a percentage of covered employee-payroll	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.

**Midland College District**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**For the Year Ended August 31, 2018**

**Changes of Benefit Terms Include:**

- There were no factors that significantly affect benefit trends.

**Changes of Assumptions**

There were no changes of assumptions for the year ended August 31, 2018.

**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, 2018**

<b>Fiscal year ending August 31,*</b>	<b>2018**</b>
District's proportionate share of collective net OPEB liability (%)	0.0665013 %
District's proportionate share of collective net OPEB liability (\$)	\$ 22,658,999
State's proportionate share of net OPEB liability associated with District	<u>19,971,590</u>
Total	42,630,589
District's covered-employee payroll	\$ 21,714,833
District's proportionate share of collective net pension liability as a percentage of covered-employee payroll	104.35%
Plan fiduciary net position as percentage of the total OPEB liability	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.

**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, 2018**

<b>Fiscal year ending August 31,*</b>	<b>2018</b>	<b>2017**</b>
Legally required OPEB contributions	\$ 4,917,597	3,596,687
Actual OPEB contributions	<u>4,917,597</u>	<u>3,596,687</u>
Contributions deficiency (excess)	-	-
District's covered employee payroll amount	\$ 22,248,782	21,714,833
Contributions as a percentage of covered employee-payroll	22.10%	16.56%

\*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.

## **SCHEDULES**

Midland College District

Schedule A

SCHEDULE OF DETAILED OPERATING REVENUES

Year Ended August 31, 2018  
(With Memorandum Totals for the Year Ended August 31, 2017)

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	2018 Total	2017 Memorandum Total
<b>Tuition:</b>						
State funded credit courses:						
In-district resident tuition	\$ 4,087,108	-	4,087,108	-	4,087,108	4,286,080
Out-of-district resident tuition	3,668,536	-	3,668,536	-	3,668,536	4,105,019
Non-resident tuition	852,653	-	852,653	-	852,653	910,083
TPEG – credit (set aside) *	407,355	-	407,355	-	407,355	395,418
State-funded continuing education	1,100,638	-	1,100,638	-	1,100,638	946,126
TPEG – non-credit (set aside) *	66,788	-	66,788	-	66,788	60,391
Non-state funded continuing educational programs	240,271	-	240,271	-	240,271	317,627
Total tuition	<u>10,423,349</u>	<u>-</u>	<u>10,423,349</u>	<u>-</u>	<u>10,423,349</u>	<u>11,020,744</u>
<b>Fees:</b>						
General use fee	2,793,008	-	2,793,008	-	2,793,008	3,029,182
Lab fees	384,506	-	384,506	-	384,506	457,927
Distance learning fee	634,634	-	634,634	-	634,634	763,065
Other	126,591	-	126,591	-	126,591	140,532
Total fees	<u>3,938,739</u>	<u>-</u>	<u>3,938,739</u>	<u>-</u>	<u>3,938,739</u>	<u>4,390,706</u>
<b>Scholarship allowances and discounts:</b>						
Bad debt allowance	-	-	-	-	-	(159,626)
Scholarships	(1,602,571)	-	(1,602,571)	-	(1,602,571)	(1,891,534)
Remissions and exemptions - state	(281,860)	-	(251,860)	-	(281,860)	(352,767)
Remissions and exemptions - local	(566,154)	-	(566,154)	-	(566,154)	(555,812)
Title IV federal grants	(1,732,515)	-	(1,732,515)	-	(1,732,515)	(2,482,475)
TPEG awards	(457,267)	-	(457,267)	-	(457,267)	(74,085)
Other state grants	(71,670)	-	(71,670)	-	(71,670)	(56,019)
Other local grants	(1,460)	-	(1,460)	-	(1,460)	-
Total scholarship allowances	<u>(4,713,497)</u>	<u>-</u>	<u>(4,713,497)</u>	<u>-</u>	<u>(4,713,497)</u>	<u>(5,572,318)</u>
Total net tuition and fees	<u>9,648,591</u>	<u>-</u>	<u>9,648,591</u>	<u>-</u>	<u>9,648,591</u>	<u>9,839,132</u>

Midland College District

Schedule A

SCHEDULE OF DETAILED OPERATING REVENUES (CONTINUED)

Year Ended August 31, 2018  
(With Memorandum Totals for the Year Ended August 31, 2017)

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	2018 Total	2017 Memorandum Total
Additional operating revenues:						
Federal grants and contracts	40,630	930,350	970,980	-	970,980	863,079
State grants and contracts	-	828,115	828,115	-	828,115	725,108
Local grants and contracts	1,645,796	288,624	1,934,420	-	1,934,420	1,566,811
Non-governmental grants and contracts	69,187	1,211,204	1,280,391	18,900	1,299,291	1,326,147
Sales and services of educational activities	582,967	-	582,967	-	582,967	475,814
Investment income (program restricted)	-	120,081	120,081	-	120,081	110,042
General operating revenues	<u>1,019,902</u>	<u>366,287</u>	<u>1,386,189</u>	<u>7,500</u>	<u>1,393,689</u>	<u>747,010</u>
Total additional operating revenues	<u>3,358,482</u>	<u>3,744,661</u>	<u>7,103,143</u>	<u>26,400</u>	<u>7,129,543</u>	<u>5,814,011</u>
Auxiliary enterprises:						
Bookstore **	-	-	-	165,197	165,197	194,304
Residential/food service	-	-	-	936,018	936,018	965,853
Less discounts	-	-	-	(352,744)	(352,744)	(419,658)
Athletics	-	-	-	9,369	9,369	11,726
Other	-	-	-	<u>59,562</u>	<u>59,562</u>	<u>92,981</u>
Total net auxiliary enterprises	-	-	-	<u>817,402</u>	<u>817,402</u>	<u>845,206</u>
Total Operating Revenues (Exh. 2)	\$ <u>13,007,073</u>	<u>3,744,661</u>	<u>16,751,734</u>	<u>843,802</u>	<u>17,595,536</u>	<u>16,498,349</u>

\* In accordance with Education Code 56.033, \$474,143 and \$455,809 of tuition for years ended August 31, 2018 and 2017, 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, 2018  
(With Memorandum Totals for the Year Ended August 31, 2017)

	Operating Expenses			Other Expenses	2018 Total	2017 Memorandum Total
	Salaries and Wages	Benefits				
		State	Local			
Unrestricted - Educational Activities						
Instruction	\$ 12,961,900	-	1,546,422	1,317,928	15,826,250	17,948,948
Public service	1,322,900	-	128,369	213,020	1,664,289	1,748,562
Academic support	4,012,001	-	712,236	2,357,017	7,081,254	6,129,575
Student services	2,331,200	-	599,307	444,902	3,375,409	3,612,775
Institutional support	3,511,748	-	805,851	2,010,646	6,328,245	6,783,260
Operation and maintenance of plant	1,052,073	-	398,850	4,723,963	6,174,886	5,632,123
Scholarships and fellowships	-	-	-	24,098	24,098	33,246
<b>Total Unrestricted Educational Activities</b>	<b>25,191,822</b>	<b>-</b>	<b>4,191,035</b>	<b>11,091,574</b>	<b>40,474,431</b>	<b>41,888,489</b>
Restricted – Educational Activities						
Instruction	455,835	1,135,735	46,721	653,982	2,292,273	2,577,231
Public service	355,490	-	99,000	658,229	1,112,719	1,162,562
Academic support	-	198,752	-	128,565	327,317	252,058
Student services	42,539	141,906	15,469	341,272	541,186	658,633
Institutional support	-	163,077	-	37,567	200,644	420,959
Operation and maintenance of plant	-	-	-	57,404	57,404	74,877
Scholarships and fellowships	-	-	-	3,463,133*	3,463,133	3,638,414
<b>Total Restricted Educational Activities</b>	<b>853,864</b>	<b>1,639,470</b>	<b>161,190</b>	<b>5,340,152</b>	<b>7,994,676</b>	<b>8,784,734</b>
<b>Total Educational Activities</b>	<b>26,045,686</b>	<b>1,639,470</b>	<b>4,352,225</b>	<b>16,431,726</b>	<b>48,469,107</b>	<b>50,673,223</b>
Auxiliary Enterprises	1,167,403	-	271,043	2,068,279**	3,506,725	3,816,156
Depreciation Expense – Buildings and other real estate improvements	-	-	-	-	2,788,714	2,541,297
Depreciation Expense – Equipment and furniture	-	-	-	-	1,165,198	1,188,184
<b>Total Operating Expenses</b>	<b>\$ 27,213,089</b>	<b>1,639,470</b>	<b>4,623,268</b>	<b>18,500,005</b>	<b>55,929,744</b> (Exhibit 2)	<b>58,218,860</b> (Exhibit 2)

\* Net of discounts of \$3,865,481

\*\* Net of discounts of \$352,744

Midland College District

Schedule C

SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES

Year Ended August 31, 2018  
 (With Memorandum Totals for the Year Ended August 31, 2017)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary Enterprises</u>	<u>2018 Total</u>	<u>2017 Memorandum Total</u>
NON-OPERATING REVENUES:					
State appropriations:					
Education and general state support	\$ 8,134,854	-	-	8,134,854	7,690,248
State group insurance	-	1,068,312	-	1,068,312	1,865,661
State retirement matching	-	571,159	-	571,159	769,350
Permian Basin Petroleum Museum	-	324,056	-	324,056	355,325
Total state appropriations	<u>8,134,854</u>	<u>1,963,527</u>	<u>-</u>	<u>10,098,381</u>	<u>10,680,584</u>
Maintenance ad valorem taxes	26,340,038	-	-	26,340,038	25,230,945
Debt service ad valorem taxes	2,829,448	-	-	2,829,448	2,792,130
Federal Revenue, non-operating	-	4,477,438	-	4,477,438	5,399,503
Gifts	-	1,723,908	-	1,723,908	2,093,945
Investment income	407,618	-	14,863	422,481	321,315
Gain on disposal of capital assets	-	-	-	-	-
Contributions in aid of construction	-	-	-	-	-
Additions (deductions) to permanent endowments	-	42,192	-	42,192	16,890
Total non-operating revenues	<u>37,711,958</u>	<u>8,207,065</u>	<u>14,863</u>	<u>45,933,886</u>	<u>46,535,312</u>
NON-OPERATING EXPENSES:					
Interest on capital related debt	-	(1,170,438)	-	(1,170,438)	(1,320,871)
Loss on disposal of capital assets	(3,413)	-	-	(3,413)	(19,127)
Total non-operating expense	<u>(3,413)</u>	<u>(1,170,438)</u>	<u>-</u>	<u>(1,173,851)</u>	<u>(1,339,998)</u>
Net non-operating revenues	<u>\$ 37,708,545</u>	<u>7,036,627</u>	<u>14,863</u>	<u>44,760,035</u> (Exhibit 2)	<u>45,195,314</u> (Exhibit 2)

Midland College District

Schedule D

SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY

Year Ended August 31, 2018  
(With Memorandum Totals for the Year Ended August 31, 2017)

	Detail by Source					Available for Current Operations	
	Unrestricted	Restricted		Capital Assets Net of Depreciation & Related Debt	Total	Yes	No
		Expendable	Non-Expendable				
Current:							
Unrestricted	\$ (2,798,065)	-	-	-	(2,798,065)	(2,798,065)	-
Restricted	-	5,595,185	-	-	5,595,185	5,595,185	-
Auxiliary enterprises	984,959	-	-	-	984,959	984,959	-
Endowment:							
Quasi:							
Unrestricted	-	-	-	-	-	-	-
Endowment:							
True	-	-	5,168,087	-	5,168,087	-	5,168,087
Plant:							
Debt service	-	430,363	-	-	430,363	-	430,363
Investment in plant	-	-	-	66,158,105	66,158,105	-	66,158,105
Total Net Position August 31, 2018	(1,813,106)	6,025,548	5,168,087	66,158,105	75,538,634 (Exhibit 1)	3,782,079	71,756,555
Total Net Position August 31, 2017	19,544,119	5,649,177	5,244,770	65,124,425	95,562,491 (Exhibit 1)	24,977,409	70,585,082
Cumulative effect of change In accounting principal (Note 2)	(26,449,684)	-	-	-	(26,449,684)	(26,449,684)	-
Total Net Position, September 1, 2017 (As Restated)	(6,905,565)	5,649,177	5,244,770	65,124,425	69,112,807	(1,472,275)	70,585,082
Net Increase (decrease) in Net Position	\$ 5,092,459	376,371	(76,683)	1,033,680	6,425,827 (Exhibit 2)	5,254,354	1,171,473

**Midland College District**

**Schedule E**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Year Ended August 31, 2018**

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 P007A174070	84.007	\$ 70,784	\$ -	\$ 70,784	\$ -
Federal College Work Study Program P033A174070	84.033	37,284	-	37,284	-
Federal Pell Grant Program P063P173245	84.063	4,369,370	-	4,369,370	-
Federal Direct Student Loans P268K183245	84.268	<u>1,363,235</u>	-	<u>1,363,235</u>	-
Total Student Financial Assistance Cluster		5,840,673	-	5,840,673	-
TRIO Cluster:					
TRIO Upward Bound P047A130770	84.047A	252,959	-	252,959	-
Pass-through from:					
Odessa College					
Adult Education and Literacy- Federal / Corrections 1116AEL004	84.002A	-	26,225	26,225	-
Adult Education and Literacy - Federal / Corrections 1116AELB04	84.002A	-	250,215	250,215	-
El Civics / El Civics IET 1116AEL004	84.002A	-	19,458	19,458	-
El Civics / El Civics IET 1116AELB04	84.002A	-	41,056	41,056	-
Local Performance Quality Improvement Award 1117PQ1000	84.002A	-	650	650	-
Texas Workforce Commission					
Adult Education and Literacy – Federal/Corrections 1118SALA001	84.002A	-	21,809	21,809	-
El Civics / El Civics IET 1118SALA001	84.002A	-	<u>4,618</u>	<u>4,618</u>	-
Total	84.002A	-	364,031	364,031	-
Texas Higher Education Coordinating Board Career and Technical Education – Basic 184234	84.048	-	<u>191,308</u>	<u>191,308</u>	-
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>		<u>6,093,632</u>	<u>555,339</u>	<u>6,648,971</u>	-
<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	-	77,250	77,250	-
Permian Basin Workforce Development Board					
Child Care Scholarship 128-14	93-575	-	3,088	3,088	-
Odessa College					
Adult Education And Literacy–TANF 1116AELB04	93-558	-	<u>56,079</u>	<u>56,079</u>	-
<b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		-	<u>136,417</u>	<u>136,417</u>	-

Notes to Schedule on following page.

**Midland College District**

**Schedule E**

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

**Year Ended August 31, 2018**

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Direct Awards	Pass Through Awards	Total	Subrecipients Expenditures
<b>U.S. DEPARTMENT OF LABOR</b>					
Pass-Through From:					
Permian Basin Workforce Development Board Energy Consortium Scholarship Agreement WTEC 2017-01	17.207	-	12,732	12,732	-
<b>TOTAL U.S. DEPARTMENT OF LABOR</b>		-	12,732	12,732	-
<b>NATIONAL SCIENCE FOUNDATION</b>					
Pass-Through From:					
University of Texas at El Paso The University of Texas System LSAMP HRD-1202008	47.076	-	12,533	12,533	-
Texas Tech University South Plains Mathematics Fellows 21P344-02	47.076	-	1,000	1,000	-
<b>TOTAL NATIONAL SCIENCE FOUNDATION</b>		-	13,533	13,533	-
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		\$ <b>6,093,632</b>	\$ <b>718,021</b>	\$ <b>6,811,653</b>	\$ <b>-</b>

**Note 1: Federal Assistance Reconciliation**

Other Operating Revenues -Federal Grants and Contracts revenue – per Schedule A	\$ 930,350
Add: Indirect/Administrative Cost Recoveries-per Schedule A	40,630
Add: Non-Operating Federal Revenue per Schedule C	<u>4,477,438</u>
Total Federal Revenues per Schedule A and C	<u>5,448,418</u>
Reconciling Item:	
Add: Direct Student Loans	<u>1,363,235</u>
Total Federal Revenues per Schedule of Expenditures of Federal Awards	\$ <u>6,811,653</u>

**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 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, 2018**

State Grantor/Pass-Through Grantor/ Program Title	Grant/Contract Number	Pass-Through Disbursement and Expenditures
Direct Programs:		
Texas Higher Education Coordinating Board		
College Readiness and Success Models for 60x30 TX	18667	\$ 38,980
Nursing Shortage Reduction FY 2016	16616	44,843
Texas College Work Study		18,559
Texas Education Opportunity Grant		246,858
Subtotal Texas Higher Education Coordinating Board		<u>349,240</u>
Pass-Through From:		
Texas Tech University Health Sciences Center		
Area Health Education Center	FY 18 State	214,350
Odessa College		
Adult Education and Literacy - State	1116AELB04	53,023
University of Texas Health Science Center at Ft. Worth		
Primary Care Innovation Program	20062	129,554
University of Texas Health Science Center at Houston		
Comprehensive Texas School Ready Project	TSR Project 2017-19	81,948
Subtotal – Pass Through		<u>478,875</u>
Total State Financial Assistance		\$ <u>828,115</u>

Note 1: State Assistance Reconciliation

Total State Financial Assistance	\$ <u>828,115</u>
Total State Revenues per Schedule A	\$ <u>828,115</u>

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**



**JOHNSON MILLER & CO., CPA's PC**

*Certified Public Accountants*

*A Professional Corporation*

*An Independent Member of BDO Alliance USA*

**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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon December 13, 2018.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **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, 2018, 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.

*Johnson, Miller & Co., CPA's PC*

Midland, Texas  
December 13, 2018



**JOHNSON MILLER & CO., CPA's PC**

*Certified Public Accountants*

*A Professional Corporation*

*An Independent Member of BDO Alliance USA*

**Independent Auditors' Report on Compliance for  
Each Major Program and Internal Control Over  
Compliance Required by the Uniform Guidance and the  
Provisions of the State of Texas Single Audit Circular**

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 and the Provisions of the State of Texas Single Audit Circular* that could have a direct and material effect on each of the District's major federal and state programs for the year ended August 31, 2018. 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 and state 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 and state 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) and the *Provisions of the State of Texas Single Audit Circular*. 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 and State 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 and state programs for the year ended August 31, 2018.

## **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 and the Provisions the State of Texas Single Audit Circular. Accordingly, this report is not suitable for any other purpose.

*Johnson, Miller & Co., CPA's PC*

Midland, Texas  
December 13, 2018

**Midland College District**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**August 31, 2018**

The Board of Trustees  
Midland College District  
Midland, Texas

**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) or Provisions the State of Texas Single Audit Circular	No
Any questioned costs?	No

**Midland College District**

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

**August 31, 2018**

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

<u>Grant /Contract Number</u>	<u>Name of State Program</u>
FY 18 State	Area Health Education Center
N/A	Texas Education Opportunity Grant
Dollar threshold used to distinguish between type A and type B programs:	Federal programs threshold \$750,000; State programs threshold \$300,000

Auditee qualified as low-risk auditee?	Federal -- Yes
	State -- No, Due to not meeting expenditure threshold to require state single audit in the prior two years

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III – FEDERAL OR STATE AWARDS FINDINGS AND QUESTIONED COSTS

No matters were reported.

August 31, 2018	No matters were reported.
August 31, 2017	No matters were reported.

**STATISTICAL SUPPLEMENT**

**Midland College District  
Statistical Supplement 1  
Net Position by Component  
Fiscal Years 2009-2018  
(unaudited)**

	<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>	<b>2010</b>	<b>2009</b>
Invested in capital assets, net of related debt	\$ 66,158	65,124	64,293	64,808	61,459	59,087	59,196	56,980	55,616	51,224
Restricted - expendable	6,025	5,649	5,297	5,194	4,667	5,272	5,850	7,485	4,594	4,702
Restricted - nonexpendable	5,168	5,245	5,296	5,307	5,346	5,412	5,374	5,016	4,793	4,644
Unrestricted	(1,813)	19,544	17,202	14,017	20,697	19,190	15,477	12,180	10,866	10,735
<b>Total primary government net position</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>	<b>75,869</b>	<b>71,305</b>

**Midland College District**  
**Statistical Supplement 2**  
**Revenues by Source**  
**Fiscal Years 2009-2018**  
(unaudited)

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Tuition and Fees (net of discounts)	\$ 9,648	9,839	9,417	9,232	9,778	10,272	10,103	9,595	9,365	8,024
Federal Grants and Contracts	971	863	1,007	1,459	1,532	2,384	2,693	3,787	4,844	3,202
State Grants and Contracts	828	725	543	557	881	614	517	653	565	271
Local Grants and Contracts	1,934	1,567	1,621	1,734	1,758	1,517	825	817	894	829
Non-Governmental Grants and Contracts	1,299	1,326	1,498	876	1,035	915	845	885	578	722
Sales and services of educational activities	583	476	623	632	510	430	432	399	283	194
Investment income-program restricted	120	110	142	141	225	12	203	277	339	499
Auxiliary enterprises (net of discounts)	817	845	1,049	1,153	1,180	1,192	1,251	1,042	1,132	1,040
Other operating revenues	1,394	747	749	603	507	607	586	499	694	737
<b>Total Operating Revenues</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>	<b>18,694</b>	<b>15,518</b>
State Appropriations	10,098	10,680	10,709	11,221	11,106	10,324	10,397	12,687	13,206	13,862
Ad Valorem Taxes	29,169	28,023	27,458	25,453	23,785	22,757	21,180	20,004	18,936	17,743
Federal Revenue, non-operating	4,477	5,400	4,790	4,290	4,017	4,153	5,599	6,850	6,123	3,873
Gifts	1,724	2,094	1,744	2,297	1,491	1,798	1,767	2,083	1,802	1,622
Investment income	422	321	185	165	87	24	26	33	68	334
Contributions in aid of construction	-	-	-	1	21	27	735	3,044	931	1,572
Gain on disposal of fixed assets	(3)	-	-	-	18	165	70	-	16	-
Additions to permanent endowments	42	17	34	5	18	244	357	161	29	103
Other non-operating revenues	-	-	-	-	-	-	-	-	462	4,031
<b>Total Non-Operating Revenues</b>	<b>45,929</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>41,573</b>	<b>43,140</b>
<b>Total Revenues</b>	<b>\$ 63,523</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>	<b>60,267</b>	<b>58,658</b>

**Midland College District  
Statistical Supplement 3  
Program Expenses by Function  
Fiscal Years 2009-2018  
(unaudited)**

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
						(as restated)				
Instruction	\$ 18,116	20,526	19,694	19,169	18,531	18,254	18,336	19,866	19,525	18,456
Public service	2,777	2,911	2,776	2,542	2,593	2,405	2,112	2,475	2,551	2,316
Academic support	7,408	6,382	6,749	6,085	5,785	6,148	6,311	6,197	6,166	5,572
Student services	3,916	4,271	4,067	3,808	3,777	3,581	3,442	3,374	3,405	3,342
Institutional support	6,529	7,204	6,702	6,605	6,411	6,031	5,234	5,214	5,195	5,040
Operation and maintenance of plant	6,232	5,707	5,968	5,574	5,848	5,494	5,421	5,778	5,594	4,835
Scholarships & fellowships(net of discounts)	3,487	3,672	3,877	2,704	2,908	3,230	3,718	5,921	5,396	3,484
Auxiliary enterprises (net of discounts)	3,507	3,816	3,668	3,627	3,488	3,320	3,027	2,485	2,401	2,427
Depreciation	3,954	3,729	3,720	3,754	3,758	3,803	3,724	3,526	2,912	2,545
<b>Total Operating Expenses</b>	<b>55,926</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>	<b>53,145</b>	<b>48,017</b>
Interest on capital related debt	1,170	1,320	1,521	1,527	1,641	1,696	1,994	2,132	2,033	1,913
Loss on disposal of fixed assets	3	19	65	4	-	-	-	16	-	32
Other non-operating expenses	-	-	-	-	-	-	31	42	526	4,938
<b>Total Non-Operating Expenses</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>2,559</b>	<b>6,883</b>
<b>Total Expenses</b>	<b>\$ 57,099</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>	<b>55,704</b>	<b>54,900</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
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	0.00%	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%	0.00%
2006-07	43	55	10	636	780	17.78%	14.04%
2005-06	37	49	8	540	684	0.00%	14.00%
2004-05	37	42	8	540	600	4.65%	4.17%
2003-04	36	41	7	516	576	16.22%	23.08%

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
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%
2004-05	76	76	8	1,008	1,008	23.53%	23.53%
2003-04	61	61	7	816	816	15.25%	15.25%

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**

Fiscal Year	(amounts expressed in thousands)			Ratio of Taxable Assessed Value to Assessed Value	thousands	Direct Rate		
	Assessed Valuation of Property	Less: Exemptions	Taxable Assessed Value (TAV)		Total Taxes Assessed	Maintenance & Operations (a)	Debt Service (a)	Total (a)
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
2004-05	6,120,653	461,916	5,658,737	92.45%	10,786	0.190600	-	0.190600
2003-04	5,668,701	456,955	5,211,746	91.94%	9,933	0.185200	0.005400	0.190600

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	Appropriation per FTSE			Appropriation per Contact Hour			
	State Appropriation (000's)	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
2017-18	\$ 8,135	2,829	\$ 2,875	1,449	1,108	2,557	\$ 3.18
2016-17	7,690	3,134	2,454	1,643	1,030	2,673	2.88
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
2004-05	8,039	4,031	1,994	1,682	943	2,625	3.06
2003-04	8,079	3,967	2,037	1,671	885	2,556	3.16

(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)		
	Credit	CE	Total
17-18	565	543	1108
16-17	603	427	1030
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
04-05	716	227	943
03-04	650	235	885

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

	Fiscal Year														
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Faculty</b>															
Full-Time	141	134	133	142	145	147	145	135	154	155	141	134	129	119	116
Part-Time	153	146	157	124	121	148	162	195	184	160	156	135	120	135	125
Total	294	280	290	266	266	295	307	330	338	315	297	269	249	254	241
<b>Percent</b>															
Full-Time	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%	46.9%	48.1%
Part-Time	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%	53.1%	51.9%
<b>Staff and Administrators</b>															
Full-Time	284	287	276	260	262	252	263	264	254	256	249	239	241	237	226
Part-Time	285	311	157	301	315	327	328	258	357	320	375	358	369	354	356
Total	569	598	433	561	577	579	591	522	611	576	624	597	610	591	582
<b>Percent</b>															
Full-Time	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%	40.1%	38.8%
Part-Time	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%	59.9%	61.2%
Students per Full-Time Faculty	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	46.5	46.5
Students per Full-Time Staff Member	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	23.3	23.9
Average Annual Faculty Salary	\$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	49,446	47,783
<b>Notes:</b>															
Fall Headcount	5589	5664	5439	4618	5236	5531	6071	6358	6230	5784	5733	5819	5589	5531	5392

**Midland College District  
Statistical Supplement 8  
Schedule of Capital Asset Information  
Fiscal Years 2009 to 2018**

	Fiscal Year									
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>Academic buildings</b>	22	22	22	22	22	22	22	22	22	20
Square footage (in thousands)	520	520	520	520	520	520	520	520	520	494
<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>	5	5	5	5	5	5	5	5	4	4
Square footage (in thousands)	70	70	70	70	70	70	70	70	58	58
<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>	10	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	20	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)	11	11	11	11	11	11	11	11	11	11
<b>Athletic Facilities</b>	6	6	6	6	6	6	6	6	5	5
Square footage (in thousands)	136	136	136	136	136	136	136	136	118	118
Multipurpose Center	1	1	1	1	1	1	1	1	1	1
Gymnasiums	2	2	2	2	2	2	2	2	1	1
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)	26	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>	1	1	1	1	1	1	1	1	1	1
Square footage (in thousands)	11	11	11	11	11	11	11	11	11	11
<b>Transportation</b>										
Cars	11	12	11	9	12	9	9	9	4	3
Light Trucks/Vans	20	20	20	20	25	22	22	22	21	19
Heavy trucks	13	9	8	8	6	5	4	4	4	4
Buses	8	8	8	8	8	7	7	7	7	7

**Midland College District  
Statistical Supplement 9  
Head Count Enrollment Trend  
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>
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
2004-05	5,531	5,797	1,881	1,548	14,757	8,456
2003-04	5,392	5,666	1,974	1,410	14,442	8,086

Data Source: CBM001