



**Financial Statements
and
Independent Auditor's
Report**

For the Fiscal Years Ended
AUGUST 31, 2023 AND 2022

#StartStriveSucceed



MIDLAND COLLEGE DISTRICT

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MIDLAND COLLEGE DISTRICT

ORGANIZATIONAL DATA

As of August 31, 2023

BOARD OF TRUSTEES

Officers

Mr. Steve Kiser	Chairperson
Mrs. Charlene McBride	Vice-Chairperson
Mr. Steve Castle	Secretary

Members

		Term Expires
Mr. Stephen N. Castle	Midland, Texas	2024
Ms. Linda Cowden	Midland, Texas	2028
Mr. Scott Lynch	Midland, Texas	2026
Mr. Scott Kidwell	Midland, Texas	2026
Mr. Steven C. Kiser	Midland, Texas	2028
Mr. G. Larry Lawrence	Midland, Texas	2028
Ms. Charlene R. McBride	Midland, Texas	2024
Mr. Paul L. Morris	Midland, Texas	2024
Mr. Adrian Carrasco	Midland, Texas	2026

ADMINISTRATIVE OFFICERS

Dr. Damon Kennedy	President
Mr. Jeff Chambers	Vice President of Administrative Services
Dr. Michael Dixon	Vice President of Instruction
Mr. Tom Glenn	Vice President of Information Technology & Strategic Analytics
Dr. Frank DeLao	Vice President of Student Services
Dr. Deana Savage	Chief of Staff
Ms. Rebecca Bell	Executive Director of Institutional Advancement
Mr. Joseph Butts	Executive Director of Facilities
Ms. Lauren Callo	Director of Accounting
Ms. Daisy DeLucas	Associate Director of Accounting



INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Midland College District

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities of Midland College District (the "District"), as of and for the years ended August 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of August 31, 2023 and 2022, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management’s discussion and analysis, pension information, and other-post employment benefit information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. Supplemental Schedules A through D, as required by the Texas Higher Education Coordinating Board's (THECB) *Budget Requirements and Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges*; and the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are also presented for additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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, Supplemental Schedules A through D, and the Schedule of Expenditures of Federal Awards, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2023 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Midland, Texas
December 12, 2023



MIDLAND COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2023, 2022 and 2021. This overview is based on facts, decisions and conditions known as of the date of the independent auditor's report. There are three financial statements presented: the Statements of Net Position, the Statements of Revenues, Expenses, and Changes in Net Position and the Statements of Cash Flows. These statements provide both long-term and short-term financial information on the District as a whole and should be read in conjunction with the notes to the basic financial statements.

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

Financial and Enrollment Highlights

- The District's total net position was \$134.6 million in 2023 compared to \$106.2 million in 2022 (as restated). Financial standing was strengthened as total net position increased by approximately \$28 million during fiscal year 2023 and by approximately \$13.5 million during fiscal year 2022.
- Unrestricted net position increased by \$5.3 million in 2023 and increased by \$165 thousand in 2022. Unrestricted net position after adjustments to exclude the effects of postemployment benefits increased by approximately \$7 million in 2023 and \$1.4 million in 2022.
- The net assessed valuation of the District increased by approximately \$11.2 billion or 31%, from 2022 to 2023 and decreased by \$1.7 billion or 4.8% from 2021 to 2022. Taxable values were approximately \$47.3 billion in 2023 and \$36.1 billion in 2022.
- Bonded indebtedness decreased by approximately \$3.8 million in fiscal year 2023 and by approximately \$3.5 million during fiscal year 2022.
- Duplicated head count of students in credit hour programs remained relatively unchanged in 2023 and increased by approximately 1.3% in 2022.

The Statements of Net Position

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

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

MIDLAND COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Condensed Statement of Net Position
(in thousands)

	Fiscal Year			Increase/Decrease	
	2023	2022	2021	2022 to 2023	2021 to 2022
Assets					
Current Assets	\$ 55,102	\$ 53,807	\$ 55,935	\$ 1,295	\$ (2,128)
Other Noncurrent Assets	18,195	18,203	7,242	(8)	10,961
Capital Assets - (Non-current)	129,320	102,730	99,013	26,590	3,717
Total Assets	202,617	174,740	162,190	27,877	12,550
Deferred Outflows of Resources Liabilities	15,641	15,793	13,973	(152)	1,820
Liabilities					
Current Liabilities	14,298	12,852	12,621	1,446	231
Net Pension Liability	11,549	5,381	11,914	6,168	(6,533)
Other Post Employment Benefits	28,957	37,417	32,829	(8,460)	4,588
Other Noncurrent Liabilities	12,102	15,850	19,084	(3,748)	(3,234)
Total Liabilities	66,906	71,500	76,448	(4,594)	(4,948)
Deferred Inflows of Resources Net Position	16,788	12,847	7,087	3,941	5,760
Net Position					
Net Investment in Capital Assets	114,710	84,213	78,312	30,497	5,901
Restricted-Nonexpendable	5,220	5,209	5,341	11	(132)
Restricted-Expendable	9,738	17,172	9,547	(7,434)	7,625
Unrestricted	4,896	(408)	(573)	5,304	165
Total Net Position	\$ 134,564	\$ 106,186	\$ 92,627	\$ 28,378	\$ 13,559
Current Ratio	3.85	4.19	4.43		

Assets

Total assets increased by approximately 7.7% from 2021 to 2022 and again increased by approximately 13.8% from 2022 to 2023. Cash and investments increased by approximately \$7.2 million in 2022 and remained relatively unchanged in 2023. These increases were the result of cash flows from non-capital financing activities. Shifts between cash equivalents and short-term and long-term investments occurred as investments were transferred in response to changing interest rates and project considerations.

Liabilities

Total liabilities decreased by approximately \$4.6 million in 2023 and by approximately \$4.9 million in 2022. In 2023 the district's proportionate share of pension liability was increased \$6.1 million. The increase was offset by a decrease of \$8.4 million in the district's proportionate share of other post-employment benefits. Additionally, bonded indebtedness was reduced by \$3.8 million in 2023 and \$3.5 million 2022.

Net Position

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

MIDLAND COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

In 2015, the District adopted GASB 68, *Accounting and Financial Reporting for Pensions*. The adoption of this new accounting standard required the recognition of a cumulative effective adjustment, which resulted in the reduction of the beginning unrestricted net position by approximately \$7.3 million. In 2018, the District adopted GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Because of the adoption of this standard, unrestricted net position was reduced for a cumulative effective adjustment of approximately \$26.5 million. In each year following the initial adoption of these standards the District has recorded substantial adjustments to reflect its proportionate share of the changes in the related multiemployer benefit systems. The accounting for post-employment benefits has significantly impacted the District's financial statement presentation and has confused and obscured the presentation of the District's core financial operations. Financial analysts often eliminate post-employment balances in order to better evaluate the financial condition of governmental entities. As a result of the required post-employment accounting standards, most governmental entities reflect a deficit in their unrestricted net position. Expendable net position, specifically unrestricted net position is an important indicator of an entity's financial stability.

While the relationship of expendable net position to operating expenses is important, the change in expendable net position over a period of years is also important. The following table reflects net position by category and additionally presents net position both before and after adjustments for post-employment benefits.

Schedule of Net Position
Adjusted for the Effects of Pensions and Other Postemployment Benefits
(in thousands)

	2023	2022	2021	2020	2019
Schedule of Net Position					
Net investment in capital assets	\$ 114,710	\$ 84,213	\$ 78,312	\$ 77,776	\$ 71,521
Restricted-Nonexpendable	5,220	5,209	5,341	5,366	5,298
Restricted-Expendable	9,738	17,172	9,547	9,837	11,396
Unrestricted	(A) 4,896	(408)	(573)	(2,656)	(2,475)
Total Net Position	<u>134,564</u>	<u>106,186</u>	<u>92,627</u>	<u>90,323</u>	<u>85,740</u>
Postemployment Adjustments:					
Add:					
Compensable Absences-Current	795	802	892	949	834
Compensable Absences-Noncurrent	1,290	1,245	1,397	1,233	1,192
Other Postemployment Benefits Liability-Current (GASB 75)	773	785	1,133	954	401
Other Postemployment Benefits Liability-Noncurrent (GASB 75)	28,957	37,417	32,829	29,159	26,853
Net Pension Liability (GASB 68)	11,549	5,381	11,914	10,751	11,381
Deferred Inflows - Other Postemployment Benefits (GASB 75)	11,621	6,155	5,070	9,246	10,549
Deferred Inflows - Pensions (GASB 68)	5,116	6,567	2,017	2,665	1,745
Deduct:					
Deferred Outflows - Other Postemployment Benefits (GASB 75)	(7,103)	(11,523)	(8,502)	(10,970)	(10,917)
Deferred Outflows - Pensions (GASB 68)	(8,150)	(3,632)	(4,794)	(4,948)	(5,487)
Net Effect of Pensions and Other Postemployment Obligations	<u>(B) 44,848</u>	<u>43,197</u>	<u>41,956</u>	<u>39,039</u>	<u>36,551</u>
Schedule of Net Position (Adjusted for Postemployment Obligations)					
Net investment in capital assets	114,710	84,213	78,312	77,776	71,521
Restricted-Nonexpendable	5,220	5,209	5,341	5,366	5,298
Restricted-Expendable	9,738	17,172	9,547	9,837	11,396
Unrestricted (Adjusted)	(A+B) 49,744	42,198	41,383	36,383	34,076
Net Position Adjusted for Postemployment Obligations	<u>\$ 179,412</u>	<u>\$ 148,792</u>	<u>\$ 134,583</u>	<u>\$ 129,362</u>	<u>\$ 122,291</u>

As reflected in the preceding schedule, total net position and adjusted unrestricted net position have increased in each of the last four years. Unrestricted net position (after adjustment for post-employment benefits) represents approximately 73% of the 2023 operating expenses and expendable net position represents approximately 87% of those expenses.

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,

MIDLAND COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

are classified as non-operating revenue for financial reporting purposes. Accordingly, governmental entities typically report an operating loss for financial reporting purposes.

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

The following table reflects a summary of the Statements of Revenues, Expenses and Changes in Net Position for the years ended August 31, 2023, 2022 and 2021. This summary indicates the operating loss and the overall increase in net position for each of the years displayed.

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

Condensed Schedule of Revenues, Expenses and Changes in Net Position
(in thousands)

	Fiscal Year			Changes	
	2023	2022	2021	2022 to 2023	2021 to 2022
Operating Revenues and Expenses:					
Operating revenues	\$ 18,426	\$ 21,952	\$ 18,739	\$ (3,526)	\$ 3,213
Operating expenses	68,339	64,316	65,085	4,023	(769)
Operating Loss	(49,913)	(42,364)	(46,346)	(7,549)	3,982
Non-Operating Revenues (Expenses):					
State appropriations	9,695	7,344	8,798	2,351	(1,454)
Ad valorem taxes	38,044	36,196	35,642	1,848	554
Federal, non-operating	4,778	4,176	3,585	602	591
Gifts/Contributions in aid of construction	23,901	8,270	1,345	15,631	6,925
Interest on capital related debt	(402)	(473)	(875)	71	402
Other non-operating revenues	2,275	(242)	156	2,517	(398)
Total Non-Operating Revenues, Net	78,291	55,271	48,651	23,020	6,620
Increase in net position	28,378	12,907	2,305	15,471	10,602
Net Position Beginning of Year (Restated)	106,186	93,279	90,322	12,907	2,957
Net Position End of Year	\$ 134,564	\$ 106,186	\$ 92,627	\$ 28,378	\$ 13,559

2022 to 2023 Changes in Revenues

Total revenues increased by approximately \$19 million which was lowered by operating revenues of approximately \$3.5 million. Non-operating revenues increased by approximately \$23 million. This increase is because gift income exceeded the prior year by approximately \$15.6 million and ad valorem taxes were \$1.84 million more in 2023 than 2022.

Total ad valorem tax revenues were 5.1 % higher in 2023 compared to 2022. The net assessed valuation of the District increased by approximately \$11.2 billion or 31%. The total 2023 tax rate for the District was \$0.8000 per \$100 of valuation compared to \$0.1012 for 2021.

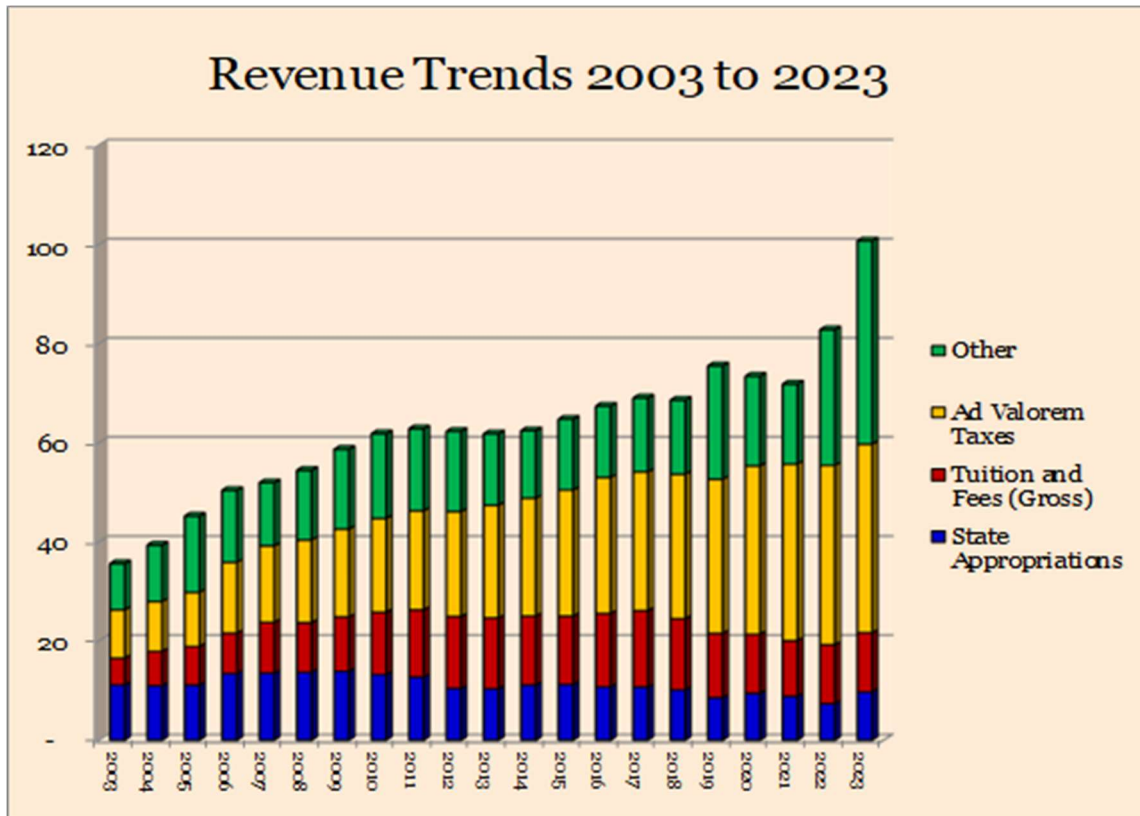
2021 to 2022 Changes in Revenues

Total revenues increased by approximately \$9.8 million including an increase in operating revenues of approximately \$3.2 million. This increase is primarily attributable to federal grant revenues related to COVID-19 relief. Non-operating revenues increased by approximately \$6.6 million. This increase is because gift income exceeded the prior year by approximately \$6.9 million and ad valorem taxes were \$554 thousand more in 2022 than 2021.

MIDLAND COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Total ad valorem tax revenues were approximately \$554 thousand or 1.6 % higher in 2022 compared to 2021. The net assessed valuation of the District decreased in 2022 by approximately \$1.7 billion or 4.8%. The total 2022 tax rate for the District was \$0.1012 per \$100 of valuation compared to \$0.0922 for 2021.

Local ad valorem taxes have become the District’s largest and most reliable revenue source as state support for higher education has generally declined over the last several decades. State appropriations as a percentage of total revenues has consistently declined.



The following table illustrates revenue by source in 2023 compared to 2003.

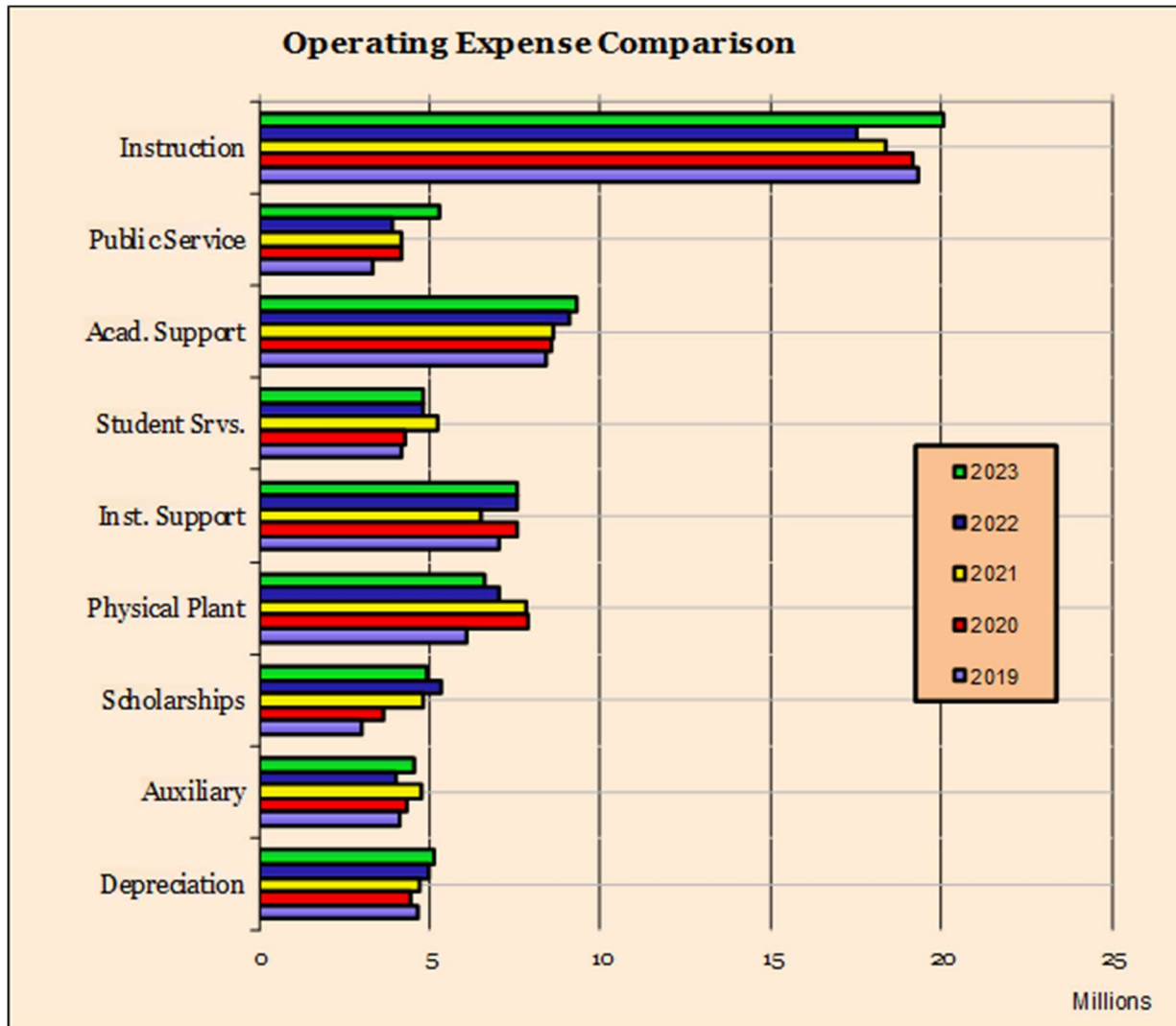
Percentage of Total Revenues

	2023	2003
State Appropriations	10%	29%
Local Property Taxes	38%	26%
Tuition and Fees (Gross)	12%	14%
Gifts Grants & Contracts	35%	24%
Auxiliary Services	1%	3%
Other	4%	4%
	100%	100%

MIDLAND COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Operating Expenses by Functional Classification

Functional classifications are the traditional categories that have been used to report expenses in financial statements. These categories represent the types of programs and services provided. The following chart shows the District's 2023 expenses compared to the 2022, 2021, 2020, and 2019 expenses.



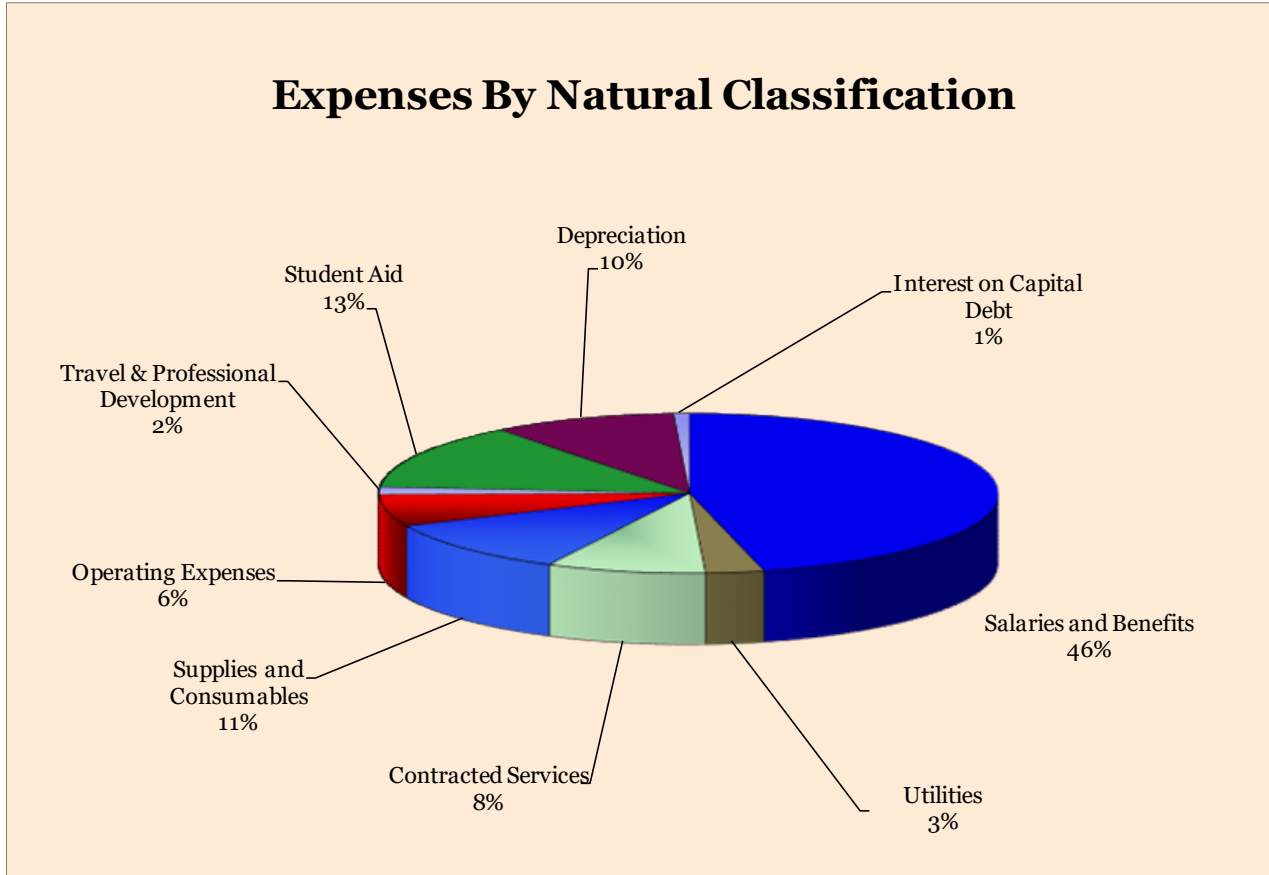
Total operating expenses were \$4 million more in 2023 than in 2022. Of this amount, unrestricted expenses increased by approximately \$110 thousand, restricted expenses increased by approximately \$3.3, auxiliary enterprises expenses increased by \$513 thousand and depreciation and amortization expense increased by approximately \$167 thousand.

Total operating expenses were approximately \$770 thousand more in 2021 than in 2020. Several categories of expenses decreased from the prior year; however, scholarship and fellowships decreased from the prior year by approximately \$460 thousand or 8.6%. This decrease is the result of HEERF funds granted to students in 2022.

MIDLAND COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Expenses by Natural Classification

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



Statements of Cash Flows

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

	2023	2022	2021	2020
Cash Provided By (Used in):				
Operating Activities	\$ (38,732)	\$ (36,825)	\$ (41,307)	\$ (43,599)
Non-Capital Financing Activities	49,091	46,714	45,413	44,161
Capital and Related Financing Activities	(12,402)	(2,312)	(3,228)	(4,891)
Investing Activities	5,845	(36,333)	15,577	5,130
Changes in Cash and Cash Equivalents	<u>\$ 3,802</u>	<u>\$ (28,756)</u>	<u>\$ 16,455</u>	<u>\$ 801</u>

The primary cash receipts from operating activities consist of tuition and fees, housing, board and grant revenue. Cash outlays include payment of wages, benefits, supplies, utilities and scholarships. State appropriations and ad valorem taxes are the

MIDLAND COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

primary source of non-capital financing. Accounting standards require that these sources of revenue be reported in the statements as non-operating, even though they are considered to be operating revenues in the District's budget.

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

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

Capital Assets and Debt Administration

The following table reflects the District's year-end capital asset balances, net of accumulated depreciation and amortization. Capital asset additions in 2023 totaled approximately \$31.7 million including approximately \$30.2 million in construction in progress for the Pre-K Academy and Center for Teaching Excellence. Capital additions in 2022 were approximately \$7.2 million. Depreciation and amortization expense was approximately \$4.8 million and \$4.6 million in 2023 and 2022 respectively.

Schedule of Capital Assets
(in thousands)

	2023	2022	2021	2020
Land	\$ 2,550	\$ 2,550	\$ 2,550	\$ 2,550
Library Books & Collections	479	474	457	438
Construction in Progress	35,240	5,045	74	31
Buildings & Improvements	79,186	82,044	83,990	86,163
Land Improvements	5,748	6,403	7,009	7,615
Furniture, Equipment, Vehicles	4,404	4,775	4,933	4,918
RTU lease assets	533	270	-	-
RTU subscription assets	1,180	1,170	-	-
	<u>\$ 129,320</u>	<u>\$ 102,731</u>	<u>\$ 99,013</u>	<u>\$ 101,715</u>

During fiscal year 2022 the District issued General Obligation Refunding Bonds, Series 2001 for the purpose of refunding the 2012 Series General Obligation Bonds. In December of 2021, Moody's Investors Service ("Moody's") and Standard and Poor's (S&P) confirmed their bond ratings of "Aa2" and "AA", respectively.

In 2016 Refunding Bonds were issued for the purpose of refunding a portion of the 2008 Revenue Bonds. Outstanding debt was approximately \$17.8 million and \$21.3 million as of August 31, 2022 and 2021, respectively.

Schedule of Outstanding Debt
(in thousands)

	2023	2022	2021	2020
General Obligation Bonds	\$ 8,783	\$ 11,690	\$ 14,231	\$ 16,806
Revenue Bonds	5,160	6,125	7,045	7,965
	<u>\$ 13,943</u>	<u>\$ 17,815</u>	<u>\$ 21,276</u>	<u>\$ 24,771</u>

MIDLAND COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Economic Factors That Will Affect the Future

The 2023-2024 budget was adopted by the Board of Trustees on August 15, 2023. The unrestricted (operating) portion of the budget increased by 11.9% over the 2022 -2023 budget.

The 2023-2024 certified taxable values increased by approximately 12% from the prior year. This increase was in part related to a increase in crude oil production. The district adopted a tax rate of 7.741 cents per hundred dollars of valuation which was 6.9% above the no-new-revenue tax rate but 3.8% below the 2022-2023 rate of 8 cents per hundred dollars of valuation. The 2023-2024 tax levy is approximately \$2.5 million more than the 2022- 2023 levy.

The District's continued emergence from pandemic conditions is reflected in continuing increases in enrollment. The fall 2023 student headcount is approximately 1.4% higher than the fall 2022 student headcount and the fall 2022 fall enrollment was approximately .4% higher than the 2021 fall enrollment. For the fall 2023 semester, approximately 61.7% of sections are being delivered in the traditional face-to-face format.

The District began construction of two projects in fiscal year 2021-2022. The first project is the renovation of the former Jack E. Brown Dining Hall in order to house the Petroleum Professional Development Center. This project has an estimated cost of \$4 million. In addition, the District began construction of the Pre-K Academy and Center of Teaching Excellence. This facility has an estimated cost of \$32 million. Both projects are being funded primarily from private donations; however, \$3 million of unrestricted resources have been transferred to these projects.

The State of Texas has revamped the appropriations formula for Texas Community Colleges for the 2023-2024/2024-2025 biennium. While the District is still diligently adapting to the switch from contact hour model to a performance based model, Midland College will receive an increase of \$1.2 million in 2023-2024, or 17.1%, over the prior year formula.

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 2023-2024 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.



Jeff Chambers
Vice President of Administrative Services



FINANCIAL STATEMENTS

MIDLAND COLLEGE DISTRICT
STATEMENTS OF NET POSITION
August 31, 2023 and 2022

Exhibit 1
Page 1 of 2

	2023	Restated 2022
Assets and Deferred Outflows		
Assets:		
Current Assets:		
Cash and cash equivalents	\$ 19,171,100	\$ 15,567,820
Short-term investments	28,676,507	32,473,841
Accounts receivable, net	4,174,881	2,785,391
Inventories	10,166	1,447
Prepaid expenses	3,006,061	2,876,984
Deposits	20,472	20,472
Lease receivable	42,294	81,065
Total current assets	55,101,481	53,807,020
Non-current Assets:		
Restricted cash and cash equivalents	862,509	663,718
Endowment investments	6,415,867	6,147,976
Other long-term investments	10,908,430	11,197,154
Net capital assets	129,320,388	102,730,491
Other assets-split interest agreements	8,612	152,043
Lease receivable	-	42,294
Total non-current assets	147,515,806	120,933,676
Total Assets	202,617,287	174,740,696
Deferred Outflows On Refunding Of Debt		
Deferred outflows on refunding of debt	387,200	637,705
Deferred outflows related to pensions	8,150,072	3,631,678
Deferred outflows related to other post-employment benefits	7,103,421	11,523,420
Total Deferred Outflows	15,640,693	15,792,803
Total Assets and Deferred Outflows	\$218,257,980	\$ 190,533,499
Liabilities, Deferred Inflows, and Net Position		
Liabilities:		
Current Liabilities:		
Accounts payable	\$ 4,225,837	\$ 3,292,253
Accrued liabilities	1,102,039	948,999
Accrued compensable absences – current portion	794,533	802,309
Net other post-employment benefits liability – current portion	772,911	785,111
Funds held for others and agencies	214,724	207,846
Unearned revenues	2,887,018	2,943,934
Bonds payable – current portion	3,887,904	3,660,612
Lease liability - current portion	122,434	48,846
Subscription liability - current portion	264,378	138,384
Deposits	26,174	24,174
Total current liabilities	14,297,952	12,852,468
Non-current Liabilities:		
Accrued compensable absences – non-current portion	1,289,536	1,244,722
Net pension liability	11,548,704	5,380,931
Net other post-employment benefits liability – non-current portion	28,956,858	37,416,738
Bonds payable – non-current portion	10,055,586	14,153,924
Lease liability – non-current portion	419,808	228,529
Subscription liability – non-current portion	337,598	222,956
Total non-current liabilities	52,608,090	58,647,800
Total Liabilities	66,906,042	71,500,268

MIDLAND COLLEGE DISTRICT
STATEMENTS OF NET POSITION
August 31, 2023 and 2022

Exhibit 1
Page 2 of 2

	<u>2023</u>	<u>Restated 2022</u>
Liabilities, Deferred Inflows, and Net Position (continued)		
Deferred Inflows of Resources:		
Deferred inflows related to pensions	\$ 5,115,716	\$ 6,566,748
Deferred inflows related to other post-employment benefits	11,620,993	6,154,706
Deferred inflows related to leases	50,968	125,455
Total Deferred Inflows of Resources	<u>16,787,677</u>	<u>12,846,909</u>
Net Position:		
Net investment in capital assets	114,709,984	84,213,090
Restricted for:		
Nonexpendable:		
Endowments	5,220,427	5,209,432
Expendable:		
Student aid	5,237,513	3,550,266
Instructional programs	4,500,080	13,621,316
Unrestricted	4,896,257	(407,782)
Total Net Position	<u>134,564,261</u>	<u>106,186,322</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$218,257,980</u>	<u>\$190,533,499</u>

MIDLAND COLLEGE DISTRICT

Exhibit 2

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

August 31, 2023 and 2022

	<u>2023</u>	<u>Restated 2022</u>
Operating Revenues		
Tuition and fees, net of discounts	\$ 8,411,529	\$ 6,760,745
Federal grants and contracts	2,032,741	7,918,507
State grants and contracts	377,310	691,555
Local grants and contracts	2,475,272	1,803,293
Non-governmental grants and contracts	1,356,185	1,532,455
Sales and services of educational activities	524,600	567,440
Investment income – program restricted	1,594,246	(56,476)
Auxiliary enterprises	770,099	829,055
General operating revenues	<u>883,848</u>	<u>1,905,768</u>
Total Operating Revenues (Schedule A)	<u>18,425,830</u>	<u>21,952,342</u>
Operating Expenses		
Instruction	20,089,496	17,535,532
Public service	5,310,115	3,915,942
Academic support	9,314,891	9,097,640
Student services	4,831,766	4,812,024
Institutional support	7,580,404	7,544,407
Operation and maintenance of plant	6,624,299	7,050,348
Scholarships and fellowships	4,897,335	5,350,649
Auxiliary enterprises	4,542,109	4,028,272
Depreciation and amortization	<u>5,148,310</u>	<u>4,980,897</u>
Total Operating Expenses (Schedule B)	<u>68,338,725</u>	<u>64,315,711</u>
Operating Loss	<u>(49,912,895)</u>	<u>(42,363,369)</u>
Non-Operating Revenues (Expenses)		
State appropriations	9,694,569	7,343,778
Maintenance ad valorem taxes	35,069,160	33,294,526
Debt service ad valorem taxes	2,974,982	2,901,347
Federal revenue, non-operating	4,777,559	4,176,174
Gifts	1,632,913	1,792,415
Investment income	2,231,671	(155,255)
Contributions in aid of construction	22,267,883	6,477,510
Interest on capital related debt	(402,054)	(473,487)
Loss on disposal of fixed assets	(5,952)	(201,777)
Additions to permanent endowments	<u>50,103</u>	<u>115,308</u>
Net Non-Operating Revenues (Schedule C)	<u>78,290,834</u>	<u>55,270,539</u>
Increase in net position	28,377,939	12,907,170
Net Position – Beginning of Year	<u>106,186,322</u>	<u>92,627,260</u>
Cumulative Effect of Change in Accounting Principle (Note 2)	-	651,892
Net Position - Beginning of Year, as Restated	<u>106,186,322</u>	<u>93,279,152</u>
Net Position – End of Year	<u>\$ 134,564,261</u>	<u>\$ 106,186,322</u>

MIDLAND COLLEGE DISTRICT
STATEMENTS OF CASH FLOWS
August 31, 2023 and 2022

Exhibit 3

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Receipts from students and other customers	\$ 9,882,124	\$ 7,710,959
Receipts from grants and contracts	7,185,129	11,486,189
Payments to suppliers for goods and services	(16,599,696)	(17,436,609)
Payments to or on behalf of employees	(36,128,425)	(34,780,713)
Payments for scholarships and fellowships	(4,947,865)	(5,500,858)
Other (disbursements), receipts	<u>1,877,118</u>	<u>1,695,788</u>
Net Cash Used In Operating Activities	<u>(38,731,615)</u>	<u>(36,825,244)</u>
Cash Flows From Non-Capital Financing Activities		
Receipts from state appropriations	7,397,327	7,397,327
Receipts from ad valorem taxes – operating and maintenance	35,082,904	33,383,260
Receipts from non-operating federal revenue	4,777,559	4,176,174
Receipts from gifts or grants for other than capital purposes	1,632,913	1,792,415
Receipts from student organizations and other agency transactions	212,315	205,465
Payments to student organizations and other agency transactions	(205,465)	(276,965)
Receipts from private gifts for endowment purposes	<u>193,534</u>	<u>36,529</u>
Net Cash Provided By Non-Capital Financing Activities	<u>49,091,087</u>	<u>46,714,205</u>
Cash Flows From Capital And Related Financing Activities		
Receipts from ad valorem taxes – debt services	2,977,101	2,869,305
Receipts from capital grants and gifts	20,395,726	6,477,510
Purchases of capital assets	(31,744,159)	(7,747,147)
Payments on capital debt – principal	(3,415,000)	(3,520,000)
Payments on capital debt – interest	<u>(615,908)</u>	<u>(391,646)</u>
Net Cash Used In Capital And Related Financing Activities	<u>(12,402,240)</u>	<u>(2,311,978)</u>
Cash Flows From Investing Activities		
Proceeds from sales and maturities of investments	26,711,580	11,421,520
Interest on investments	2,026,673	(391,647)
Purchase of investments	<u>(22,893,414)</u>	<u>(47,362,892)</u>
Net Cash Provided By (Used In) Investing Activities	<u>5,844,839</u>	<u>(36,333,019)</u>
Change in cash and cash equivalents	<u>3,802,071</u>	<u>(28,756,036)</u>
Cash And Cash Equivalents – Beginning	<u>16,231,538</u>	<u>44,987,574</u>
Cash And Cash Equivalents – Ending	<u>\$ 20,033,609</u>	<u>\$ 16,231,538</u>
Reconciliation Of Net Operating Loss To Net Cash Used In Operating Activities:		
Operating loss	\$ (49,912,895)	\$ (42,363,400)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation/amortization expense	5,148,310	4,980,897
Payments made directly by state for benefits	2,297,243	(53,549)
Changes in related assets and liabilities:		
Receivables, net	647,939	(522,445)
Prepaid expenses	(27,588)	(905,633)
Inventories	(8,719)	1,172
Deferred outflows	(98,395)	(1,859,756)
Accounts payable	1,565,171	1,042,157
Accrued liabilities	(2,263,571)	(2,007,335)
Compensated absences	37,038	(242,119)
Unearned revenue	(56,916)	(455,172)
Deferred inflows	<u>3,940,768</u>	<u>5,559,939</u>
Net Cash Used In Operating Activities	<u>\$ (38,731,615)</u>	<u>\$ (36,825,244)</u>



MIDLAND COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 1 - Reporting Entity

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

Note 2 - Summary of Significant Accounting Policies

Reporting Guidelines

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

Tuition Discounting

Texas Public Education Grants

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

Title IV, Higher Education Act (HEA) Program Funds

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

Other Tuition Discounts

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

Basis of Accounting

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

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

MIDLAND COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

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

Deferred Inflows

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

Deferred Outflows

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

Unearned Revenue and Prepaid Expenditures

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

Inventories

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

Investments

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

MIDLAND COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

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 defined by the District as assets with an initial, individual cost that equals or exceeds \$5,000 and an estimated useful life more than one year. As the District constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost (except for intangible right-to-use lease and subscription assets). The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset's capacity or efficiency or increase its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

Depreciation and amortization expense is computed using the straight-line method over the following estimated useful lives of the assets:

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
RTU Lease Assets	Depends on lease term
RTU Subscription Assets	Depends on term of arrangement

Leases

Lessee:

The District is a lessee for a noncancellable lease of equipment. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the statement of net position. The District recognizes lease liabilities with an initial, individual value of \$20,000 or more.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

MIDLAND COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

Leases (continued)

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payment to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonable certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor

The District is a lessor for a noncancellable lease of the bookstore. The District recognizes a lease receivable and a deferred inflow of resources in the statement of net position.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

MIDLAND COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

Subscription Based Information Technology Arrangements (SBITA)

The District has several subscription-based information technology arrangements for software services. The District recognizes a subscription liability and an intangible right-to-use subscription asset in the statement of net position. The District recognizes lease liabilities with an initial, individual value of \$20,000 or more.

At the commencement of an arrangement, the District initially measures the subscription liability at the present value of payments expected to be made during the arrangement term. Subsequently, the subscription liability is reduced by the principal portion of arrangement payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for arrangement payments made at or before the commencement date, plus certain applicable initial direct costs. Subsequently, the subscription asset is amortized on a straight-line basis over term of the arrangement.

Key estimates and judgments related to subscriptions include how the District determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) arrangement term, and (3) arrangement payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for subscriptions.
- The arrangement term includes the noncancellable period of the subscription. Arrangement payments included in the measurement of the subscription liability are composed of fixed payments.

The District monitors changes in circumstances that would require a remeasurement of its subscription arrangements and will remeasure the subscription asset and liability if certain changes that occur are expected to significantly affect the amount of the subscription liability.

Subscription assets are reported with other capital assets and subscription liabilities are reported with long-term debt on the statement of net position.

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 District.

MIDLAND COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)

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.

Reclassification

Certain items in the August 31, 2022 financial statements have been reclassified for comparability purposes with the August 31, 2023 financial statements. These reclassifications had no effect on previously reported changes in net position or on net position.

Implementation of New Accounting Pronouncements

GASB Statement No. 87, *Leases*, was issued in June 2017 and was effective for periods beginning after June 15, 2021. This Statement established 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 District has incorporated such leases into its capital assets and long-term liabilities on both the face of the financial statements and the note disclosures.

GASB Statement No. 96 *Subscription-Based Information Technology Arrangements (SBITA)*, was issued in May 2020 and was effective for periods beginning after June 15, 2022. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The District has evaluated the effects of this standard and has determined that it does impact the financial statements. As such the District has incorporated such SBITAs into its capital assets and long-term liabilities on both the face of the financial statements and the note disclosures.

MIDLAND COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

Prior Year Restatement

In accordance with GASB 87 and GASB 96, the District made a prior year restatement as a lessor and lessee to recognize a receivable, lease and subscription liability, and an intangible right-to-use lease and subscription assets with are included on the District’s Statement of Net Position with an increase to net position of \$651,892 in fiscal year 2022.

Beginning Net Position	92,627,260
Period period adjustment-implementation of GASB No. 87:	
Lease receivable	199,942
Deferred inflows related to leases	(199,942)
RTU lease assets	141,114
Lease liability	(141,144)
Prepaid assets	(205,386)
Period period adjustment-implementation of GASB No. 96:	
RTU subscription assets	1,012,276
Subscription liability	(154,968)
Beginning Net Position, as Restated	<u>93,279,152</u>

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.

MIDLAND COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)

Note 4 - Deposits and Investments (continued)

Deposits: At August 31, 2023 and 2022, the carrying amount of the District’s deposits was \$16,495,311 and \$15,479,409, respectively; and bank balances equaled \$11,474,627 and \$10,865,984. Bank balances of \$647,427 and \$577,291 are covered by federal depository insurance and \$10,867,200 and \$10,288,693 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 \$11,779,016 and \$17,537,016 in state approved public investment pools at August 31, 2023 and 2022, respectively.

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

Cash and Cash Equivalents

	<u>2023</u>	<u>2022</u>
Bank Deposits:		
Demand Deposits	\$ 1,192,897	\$ 4,932,309
Money Market Deposits	15,302,414	10,547,100
	<u>16,495,311</u>	<u>15,479,409</u>
Cash and Cash Equivalent:		
Petty Cash on Hand	8,157	8,129
Investments due within 90 days	3,530,141	744,000
	<u>3,538,298</u>	<u>752,129</u>
Total Cash and Cash Equivalents	<u>\$ 20,033,609</u>	<u>\$ 16,231,538</u>

Reconciliation of Deposits and Investments to Exhibit 1

<u>Type of Security</u>	<u>August 31, 2023</u> <u>Market Value</u>	<u>August 31, 2022</u> <u>Market Value</u>
U.S Government Securities	\$ 24,353,375	\$ 17,612,152
Public Funds Investment Pools	11,779,016	17,537,016
Municipal Bonds	3,053,455	8,428,803
Certificates of Deposit	5,739,000	6,241,000
Oil & Gas	1,075,958	-
Total Investments	<u>\$ 46,000,804</u>	<u>\$ 49,818,971</u>
Total Cash and Cash Equivalents	\$ 20,033,609	\$ 16,231,538
Total Investments	46,000,804	49,818,971
Total Deposits and Investments	<u>\$ 66,034,413</u>	<u>\$ 66,050,509</u>
Cash and Temporary Investments (Exhibit 1)	\$ 20,033,609	\$ 16,231,538
Investments (Exhibit 1)	46,000,804	49,818,971
Total Deposits and Investments	<u>\$ 66,034,413</u>	<u>\$ 66,050,509</u>

MIDLAND COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)

Note 4 - Deposits and Investments (continued)

As of August 31, 2023 the District had the following investments and maturities:

Investment Maturities in Years

Investment Type	Fair Value	Less than 1	1 to 2	2 to 5	5 to 10
Public Funds Investment Pools	\$ 11,779,016	\$ 11,779,016	\$ -	\$ -	\$ -
U.S. Government Securities	24,353,375	9,399,935	6,384,750	8,298,248	270,442
Municipal Bonds	3,053,455	1,881,007	963,221	209,227	-
Certificates of Deposit	5,739,000	-	5,739,000	-	-
Oil & Gas	1,075,958	1,075,958	-	-	-
Total Fair Value	\$ 46,000,804	\$ 24,135,916	\$ 13,086,971	\$ 8,507,475	\$ 270,442

As of August 31, 2022 the District had the following investments and maturities:

Investment Maturities in Years

Investment Type	Fair Value	Less than 1	1 to 2	2 to 5	5 to 10
Public Funds Investment Pools	\$ 17,537,016	\$ 17,537,016	\$ -	\$ -	\$ -
U.S. Government Securities	17,612,152	5,878,044	3,404,331	7,970,162	359,615
Municipal Bonds	8,428,803	4,173,752	3,056,497	1,198,554	-
Certificates of Deposit	6,241,000	6,241,000	-	-	-
Total Fair Value	\$ 49,818,971	\$ 33,829,812	\$ 6,460,828	\$ 9,168,716	\$ 359,615

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

Credit Risk: In accordance with state law and the District’s investment policy, investments in mutual funds and investment pools must be rated at least AAA, commercial paper must be rated at least A-1 or P-1 and investments in obligations of states, agencies, counties, cities and other political subdivisions must be rated at least A. Applicable credit ratings of investments at August 31, 2023 and 2022 are reported below:

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

Concentration of Credit Risk: The District does not place a limit on the amount the District may invest in any one issuer. More than 5% of the District’s investments are in FHLB Bonds (85.22%) and US Treasury Notes (13.50%).

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

MIDLAND COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)

Note 5 - Fair Value of Financial Instruments

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Fair value measurements were arrived at using the following inputs at August 31, 2023 and 2022:

Investment Type	Quoted Prices in			2023
	Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	
U.S. Government Securities	\$ 24,353,375	\$ -	\$ -	\$ 24,353,375
Public Funds Investment Pools	11,779,016	-	-	11,779,016
Municipal Bonds	3,053,455	-	-	3,053,455
Certificates of Deposit	-	5,739,000	-	5,739,000
Oil & Gas	-	-	1,075,958	1,075,958
Total	\$ 39,185,846	\$ 5,739,000	\$ 1,075,958	\$ 46,000,804

Investment Type	Quoted Prices in			2022
	Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	
U.S. Government Securities	\$ 17,612,152	\$ -	\$ -	\$ 17,612,152
Public Funds Investment Pools	17,537,016	-	-	17,537,016
Municipal Bonds	8,428,803	-	-	8,428,803
Certificates of Deposit	-	6,241,000	-	6,241,000
Total	\$ 43,577,971	\$ 6,241,000	\$ -	\$ 49,818,971

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, 2023	
Assessed valuation of the District	\$ 49,082,032,636
Less exemptions	<u>(1,764,432,395)</u>
Net Assessed Valuation of the District	<u>\$ 47,317,600,241</u>

At August 31, 2022	
Assessed valuation of the District	\$ 37,930,122,386
Less exemptions	<u>(1,802,803,268)</u>
Net Assessed Valuation of the District	<u>\$ 36,127,319,118</u>

At August 31, 2023

	Maintenance and Operation	Debt Service	Total
Authorized tax rate per \$100 valuation (Maximum per enabling legislation)	\$ 0.3000	\$ 0.5000	\$ 0.8000
Assessed tax rate per \$100 valuation	\$ 0.0737	\$ 0.0063	\$ 0.0800

MIDLAND COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)

Note 6 - AD Valorem Taxes Receivable (continued)

At August 31, 2022

	<u>Maintenance and Operation</u>	<u>Debt Service</u>	<u>Total</u>
Authorized tax rate per \$100 valuation (Maximum per enabling legislation)	\$ 0.3000	\$ 0.5000	\$ 0.8000
Assessed tax rate per \$100 valuation	\$ 0.0931	\$ 0.0080	\$ 0.1012

Taxes levied for the years ended August 31, 2023 and 2022 are \$37,854,017 and \$36,543,085, 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, 2023

<u>Taxes Collected</u>	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current taxes collected	\$ 34,609,084	\$ 2,935,953	\$ 37,545,037
Delinquent taxes collected	236,049	20,024	256,073
Penalties and interest collected	224,027	19,005	243,032
Total Collections	<u>\$ 35,069,160</u>	<u>\$ 2,974,982</u>	<u>\$ 38,044,142</u>

At August 31, 2022

<u>Taxes Collected</u>	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current taxes collected	\$ 32,505,805	\$ 2,832,616	\$ 35,338,421
Delinquent taxes collected	520,922	45,394	566,316
Penalties and interest collected	267,799	23,337	291,136
Total Collections	<u>\$ 33,294,526</u>	<u>\$ 2,901,347</u>	<u>\$ 36,195,873</u>

Tax collections (including penalties, interest and delinquent collections) for the years ended August 31, 2023 and 2021 were in excess of 100% of the respective year tax levy. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted to either maintenance and operations or interest and sinking expenditures.

Ad valorem taxes receivable includes the following:

	<u>2023</u>	<u>2022</u>
Current unrestricted fund	\$ 1,098,757	\$ 1,119,901
Debt service fund	101,043	104,303
	1,199,800	1,224,204
Allowance for uncollectible taxes	<u>(419,930)</u>	<u>(428,471)</u>
Net ad valorem taxes receivable	<u>\$ 779,870</u>	<u>\$ 795,733</u>

MIDLAND COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)

Note 7 – Lease Receivable

In March 2021, the District entered into a 3-year agreement lease as the lessor for the use of the bookstore. An initial receivable was recorded in the amount of \$199,942. As of August 31, 2023, the value of the lease receivable is \$42,294. The lessee is required to make monthly fixed payments in the amount of \$7,167. The lease has an interest rate of 5.70%. The value of the deferred inflow of resources as of August 31, 2023 was \$50,968, and the District recognized lease revenue of \$78,406 during the fiscal year.

The future principal and interest receivable as of August 31, 2023, were as follows:

For the Year Ended August 31,	Lease Receivable		
	Principal	Interest	Total
2024	\$ 42,294	\$ 706	\$ 43,000
Total	\$ 42,294	\$ 706	\$ 43,000

Note 8 - Capital Assets

Capital assets activity for the year ended August 31, 2023, was as follows:

	Balance September 1, 2022			Balance August 31, 2023
	Restated	Increases	Decreases	
Not Depreciated/Amortized:				
Land	\$ 2,550,250	\$ -	\$ 8	\$ 2,550,242
Collectibles	49,000	-	-	49,000
Construction in process	5,045,281	30,194,793	-	35,240,074
Subtotal	7,644,531	30,194,793	8	37,839,316
Other Capital Assets:				
Buildings	127,449,852	-	-	127,449,852
Land improvements	12,478,662	-	-	12,478,662
Leasehold improvements	572,427	-	-	572,427
Library books	2,439,149	55,184	-	2,494,333
Furniture, machinery, vehicles and other equipment	21,143,934	712,292	291,053	21,565,173
RTU lease assets	294,917	369,420	-	664,337
RTU subscription assets	1,459,735	441,984	50,625	1,851,094
Subtotal	165,838,676	1,578,880	341,678	167,075,878
Accumulated Depreciation/Amortization:				
Buildings	45,821,725	2,836,488	-	48,658,213
Land improvements	6,075,803	654,594	-	6,730,397
Leasehold improvements	155,950	22,016	-	177,966
Library books	2,014,657	49,346	-	2,064,003
Furniture, machinery, vehicles and other equipment	16,369,268	1,048,568	255,595	17,162,241
RTU lease assets	25,203	105,793	-	130,996
RTU subscription assets	290,110	431,505	50,625	670,990
Subtotal	70,752,716	5,148,310	306,220	75,594,806
Net Other Capital Assets	95,085,960	(3,569,430)	35,458	91,481,072
Net Capital Assets	\$ 102,730,491	\$ 26,625,363	\$ 35,466	\$ 129,320,388

MIDLAND COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)

Note 8 - Capital Assets (continued)

Capital assets activity for the year ended August 31, 2022, was as follows:

	Balance September 1, 2021 Restated	Increases	Decreases	Balance August 31, 2022 Restated
Not Depreciated/Amortized:				
Land	\$ 2,550,250	\$ -	\$ -	\$ 2,550,250
Collectibles	49,000	-	-	49,000
Construction in process	74,201	4,971,080	-	5,045,281
Subtotal	2,673,451	4,971,080	-	7,644,531
Other Capital Assets:				
Buildings	126,662,990	1,086,862	300,000	127,449,852
Land improvements	12,478,662	-	-	12,478,662
Leasehold improvements	572,427	-	-	572,427
Library books	2,374,138	65,011	-	2,439,149
Furniture, machinery, vehicles and other equipment	20,418,388	1,044,927	319,381	21,143,934
RTU lease assets	141,114	153,803	-	294,917
RTU subscription assets	1,012,276	447,459	-	1,459,735
Subtotal	163,659,995	2,798,062	619,381	165,838,676
Accumulated Depreciation/Amortization:				
Buildings	43,112,310	2,847,915	138,500	45,821,725
Land improvements	5,469,529	606,274	-	6,075,803
Leasehold improvements	133,933	22,017	-	155,950
Library books	1,966,049	48,608	-	2,014,657
Furniture, machinery, vehicles and other equipment	15,485,207	1,140,770	256,709	16,369,268
RTU lease assets	-	25,203	-	25,203
RTU subscription assets	-	290,110	-	290,110
Subtotal	66,167,028	4,980,897	395,209	70,752,716
Net Other Capital Assets	97,492,967	(2,182,835)	224,172	95,085,960
Net Capital Assets	\$ 100,166,418	\$ 2,788,245	\$ 224,172	\$ 102,730,491

MIDLAND COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)

Note 9 - Long-Term Liabilities

Long-term liability activity for the year ended August 31, 2023, was as follows:

	Balance September 31, 2022 Restated			Balance August 31, 2023		Current Portion
		Additions	Reductions			
Bonds						
General obligation bonds	\$ 11,689,536	\$ -	\$ 2,906,046	\$ 8,783,490	\$ 2,902,904	
Revenue bonds	6,125,000	-	965,000	5,160,000	985,000	
Total Bonds	17,814,536	-	3,871,046	13,943,490	3,887,904	
Other Liabilities						
Compensated absences	2,047,031	57,378	20,340	2,084,069	794,533	
RTU lease liability	277,375	369,420	104,553	542,242	122,434	
RTU subscription liability	361,340	441,984	201,348	601,976	264,378	
Net pension liability	5,380,931	7,075,504	907,731	11,548,704	-	
Net OPEB liability	38,201,849	2,526,438	10,998,518	29,729,769	772,911	
Total Other Liabilities	46,268,526	10,470,724	12,232,490	44,506,760	1,954,256	
Total Long-Term Liabilities	\$ 64,083,062	\$ 10,470,724	\$ 16,103,536	\$ 58,450,250	\$ 5,842,160	

Long-term liability activity for the year ended August 31, 2022, was as follows:

	Balance September 31, 2021 Restated			Balance August 31, 2022		Current Portion
		Additions	Reductions	Restated		
Bonds						
General obligation bonds	\$ 14,230,978	\$ 11,689,536	\$ 14,230,978	\$ 11,689,536	\$ 2,695,612	
Revenue bonds	7,045,000	-	920,000	6,125,000	965,000	
Total Bonds	21,275,978	11,689,536	15,150,978	17,814,536	3,660,612	
Other Liabilities						
Compensated absences	2,289,150	2,080	244,199	2,047,031	802,309	
RTU lease liability	141,114	153,803	17,542	277,375	48,846	
RTU subscription liability	154,968	359,547	153,175	361,340	138,384	
Net pension liability	11,914,165	-	6,533,234	5,380,931	-	
Net OPEB liability	33,962,112	6,249,222	2,009,485	38,201,849	785,111	
Total Other Liabilities	48,461,509	6,764,652	8,957,635	46,268,526	1,774,650	
Total Long-Term Liabilities	\$ 69,737,487	\$ 18,454,188	\$ 24,108,613	\$ 64,083,062	\$ 5,435,262	

MIDLAND COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)

Note 10 – Right-to-Use Lease Liability

The District is under contract for noncancellable leases that convey control of the right-to-use lease assets. The lease liabilities outstanding as of August 31, 2023, are as follows:

Description	Term		Interest Rate	Lease Liability		Lease Asset	
	Start Date	End Date		Original Amount	Outstanding Balance	Value of Lease Asset	Accumulated Amortization
Equipment - Washers & Dryers	08/15/21	08/15/31	6.25%	\$ 86,314	\$ 72,918	\$ 86,314	\$ 17,458
Equipment - Postage Machine	06/30/21	06/30/26	5.90%	28,733	21,470	28,733	11,681
Equipment - Copiers	Various	Various	2.16% - 2.37%	384,639	306,794	384,639	77,306
Vehicle	03/31/23	03/31/29	2.68%	138,584	127,260	138,584	11,816
Building	09/01/20	09/01/25	5.90%	26,067	13,800	26,067	12,735
				<u>\$ 664,337</u>	<u>\$ 542,242</u>	<u>\$ 664,337</u>	<u>\$ 130,996</u>

All amounts paid were previously included in the measurement of the lease liability and there were no other related outflows of resources for the period such as variable payments or termination penalties. In addition, there were no commitments incurred prior to commencement of any lease term and there were no impairment losses related to lease assets.

The future principal and interest lease payments as of August 31, 2023, were as follows:

For the Year Ended August 31,	RTU Lease Liability		
	Principal	Interest	Total
2024	\$ 122,434	\$ 15,612	\$ 138,046
2025	126,261	11,785	138,046
2026	120,564	8,022	128,586
2027	117,518	4,681	122,199
2028	24,342	2,384	26,726
2029 - 2031	31,123	3,003	34,126
Total	<u>\$ 542,242</u>	<u>\$ 45,487</u>	<u>\$ 587,729</u>

MIDLAND COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)

Note 11 – Subscription Liability

The District is under contract for noncancellable subscriptions that convey control of the right-to-use software. The subscription liabilities outstanding as of August 31, 2023, are as follows:

Description	Term		Interest Rate	Subscription Liability		Subscription Asset	
	Start Date	End Date		Original Amount	Outstanding Balance	Value of	
						Subscription Asset	Accumulated Amortization
Professional Software	06/25/22	06/25/25	2.01%	\$ -	\$ -	\$ 87,912	\$ 34,676
Educational Software	09/01/21	09/01/26	0.58%	-	-	706,996	282,798
Professional Software	03/26/22	03/26/25	0.43%	173,835	40,785	173,835	82,894
Educational Software	08/01/23	09/01/24	3.10%	76,324	70,439	76,324	5,871
Professional Software	11/10/22	11/10/25	3.24%	25,116	16,476	25,116	6,767
Professional Software	02/01/22	09/01/27	0.83%	136,292	105,405	136,292	38,082
Educational Software	09/01/21	09/01/24	0.31%	-	-	150,313	100,209
Professional Software	06/01/22	06/01/24	1.90%	49,419	24,419	49,419	30,887
Professional Software	12/31/22	12/31/27	3.31%	248,261	199,823	248,261	35,584
Professional Software	06/01/23	06/01/26	2.36%	92,283	92,283	92,283	7,690
Educational Software	09/01/21	04/01/26	0.58%	104,343	52,346	104,343	45,532
				<u>\$ 905,873</u>	<u>\$ 601,976</u>	<u>\$ 1,851,094</u>	<u>\$ 670,990</u>

All amounts paid were previously included in the measurement of the subscription liability and there were no other related outflows of resources for the period such as variable payments or termination penalties. In addition, there were no commitments incurred prior to commencement of any subscription term and there were no impairment losses related to subscription assets.

The future principal and interest subscription payments as of August 31, 2023, were as follows:

For the Year Ended August 31,	RTU Subscription Liability		
	Principal	Interest	Total
2024	\$ 264,378	\$ 9,799	\$ 274,177
2025	133,505	7,725	141,230
2026	105,125	4,822	109,947
2027	76,766	2,178	78,944
2028	22,202	185	22,387
Total	<u>\$ 601,976</u>	<u>\$ 24,709</u>	<u>\$ 626,685</u>

MIDLAND COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)

Note 12 - Debt and Obligations

Bonds Payable

Debt service requirements at August 31, 2023, were as follows:

For the Year Ended August 31,	Revenue Bonds		General Obligation Bonds		Total Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 985,000	\$ 110,250	\$ 2,585,000	\$ 345,875	\$ 3,570,000	\$ 456,125
2025	1,005,000	88,032	2,735,000	212,875	3,740,000	300,907
2026	1,030,000	65,250	2,890,000	72,250	3,920,000	137,500
2027	1,050,000	41,963	-	-	1,050,000	41,963
2028	1,090,000	18,169	-	-	1,090,000	18,169
Total Cash Payments	5,160,000	323,664	8,210,000	631,000	13,370,000	954,664
Unamortized Premium	-	-	573,490	(573,490)	573,490	(573,490)
Total	\$ 5,160,000	\$ 323,664	\$ 8,783,490	\$ 57,510	\$ 13,943,490	\$ 381,174

Note 13 - Bonds Payable

2021 General Obligation Refunding Bonds

- General Obligation Refunding Bonds, Series 2021.
- The bonds were used to refund the General Obligation Bonds, Series 2012.
- Issued December 2, 2021.
- Original amount issued \$10,685,000; amount authorized \$10,685,000.
- Bond issued at a net premium of \$1,296,589.
- Source of payment – Ad valorem taxes.

The bonds payable are due in semi-annual installments carrying from \$15,000 to \$2,962,250 with interest rates ranging from 0.22% to 0.71%. The average coupon rate is 5%. The final installment is due in 2026. The refunding reduced its total debt service payment by \$557,716 and to obtain an economic gain (the difference between the present value savings on the new and old bonds) of \$542,608. The outstanding principal balance as of August 31, 2023 and 2022 is \$8,210,000 and \$10,660,000 respectively.

2016 Revenue Refunding Bonds

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

The bonds payable are due in semi-annual installments varying from \$180,107 to \$551,231 with interest rate of 2.25%. The final installment is due in 2028. The outstanding principal balance as of August 31, 2023 and 2022 is \$5,160,000 and \$9,710,000 respectively.

MIDLAND COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)

Note 14 - Disaggregation of Receivables and Payables Balances

Receivables

Receivables at August 31, were as follows:

	<u>2023</u>	<u>2022</u>
Student Receivables	\$ 1,511,689	\$ 1,347,700
Taxes Receivable	1,199,800	1,224,204
State Receivable	65,489	125,316
Federal Receivable	249,925	949,214
Accounts Receivable	3,239,181	1,174,099
Interest Receivable	394,884	190,270
Subtotal	<u>6,660,968</u>	<u>5,010,803</u>
Allowance for Doubtful Accounts	<u>(2,486,087)</u>	<u>(2,225,412)</u>
Total Receivables	<u>\$ 4,174,881</u>	<u>\$ 2,785,391</u>

Payables

Payables at August 31, were as follows:

	<u>2023</u>	<u>2022</u>
Vendors Payable	\$ 4,225,837	\$ 3,292,253
Students Payable	-	-
Total Payables	<u>\$ 4,225,837</u>	<u>\$ 3,292,253</u>

Note 15 - Defined Benefit Pension Plan

The State of Texas has joint contributory retirement plans for almost all of 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 workload and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system

B. Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at Annual Comprehensive Financial Report Archived Editions (texas.gov) or by writing to TRS at 1000 Red River Street, Austin, Texas, 78701-2698.

MIDLAND COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)

Note 15 - Defined Benefit Pension Plan (continued)

C. Benefits Provided

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

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

D. Contributions

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2022 through 2025.

	<u>2023</u>	<u>2022</u>
Member	8.00%	8.00%
Non-Employer Contributing Entity (State)	8.00%	7.75%
District	8.00%	7.75%
2022 District Contributions	\$	661,662
2022 State of Texas On-behalf Contributions	\$	650,332
2022 Member Contributions	\$	985,892

The District’s contributions to the TRS plan in 2022 were \$907,836 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 2022 were \$650,332.

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.

MIDLAND COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)

Note 15 - Defined Benefit Pension Plan (continued)

D. Contributions (continued)

Public junior college 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.

The total pension liability in the August 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2021 rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Single Discount Rate	7.00%
Long-term expected Investment Rate of Return*	7.00%
	3.91% - The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index"
Municipal Bond Rate*	
Last year ending August 31 Projection period (100 years)	2121
Inflation	2.30%
Salary Increases	2.95% to 8.95% including inflation
Benefit changes during the year	None
Ad-hoc post-employment benefit changes	None

* Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."

The actuarial methods and assumptions were selected by the TRS Board of Trustees based upon analysis and recommendations by the system's actuary. The Board of Trustees has sole authority to determine the actuarial assumptions used for the plan. The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2020.

E. Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The single discount rate was based on the expected rate of return on pension plan investments of 7.00%. The projection of cash flows used to determine the single discount rate assumed that contributions from active members, employers, and the non-employer contributing entity will be made at the rates set by the Legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50% of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

MIDLAND COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)

Note 15 - Defined Benefit Pension Plan (continued)

E. Discount Rate (continued)

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

The long-term rate of return on pension plan investments is 7.00 percent. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in TRS’ target asset allocation as of August 31, 2022, are summarized below:

Asset Class	Target Allocation **	Long-Term Expected Arithmetic Real Rate of Return ***	Expected Contribution to Long-Term Portfolio Returns
Global Equity:			
USA	18.00%	4.60%	1.12%
Non-U.S. Developed	13.00%	4.90%	0.90%
Emerging Markets	9.00%	5.40%	0.75%
Private Equity *	14.00%	7.70%	1.55%
Stable Value:			
Government Bonds	16.00%	1.00%	0.22%
Absolute Return *	0.00%	3.70%	0.00%
Stable Value Hedge Funds	5.00%	3.40%	0.18%
Real Return:			
Real Estate	15.00%	4.10%	0.94%
Energy, Natural Resources, and Infrastructure	6.00%	5.10%	0.37%
Commodities	0.00%	3.60%	0.00%
Risk Parity:	8.00%	4.60%	0.43%
Asset Allocation Leverage			
Cash	2.00%	3.00%	0.01%
Asset Allocation Leverage	-6.00%	3.60%	-0.05%
Inflation Expectation	-	-	2.70%
Volatility Drag ****	-	-	-0.91%
Total	100.00%		8.19%

* Absolute Return includes Credit Sensitive Investments

** Target allocations are based on the FY2022 policy model

*** Capital Market Assumptions come from Aon Hewitt (as of 8/31/2022)

**** The volatility drag results from conversions between arithmetic and geometric mean returns

MIDLAND COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)

Note 15 - Defined Benefit Pension Plan (continued)

F. Discount rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used 7.00% in measuring the 2022 Net Pension Liability.

	1% Decrease in Discount - Rate 6.00%	Discount Rate 7.00%	1% Increase in Discount rate 8.00%
The District's proportionate share of the net pension liability:	\$ 17,965,406	\$ 11,548,704	\$ 6,347,667

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

At August 31, 2023, the District reported a liability of \$11,548,704 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	\$ 11,548,704
State's proportionate share that is associated with the District	<u>8,273,922</u>
Total	<u><u>\$ 19,822,626</u></u>

The net pension liability was measured as of August 31, 2022 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, 2021 through August 31, 2022.

At the measurement date of August 31, 2022 the employer's proportion of the collective net pension liability was 0.019452931%, which was a decrease of 0.001676555% from its proportion measured as of August 31, 2021.

Changes Since the Prior Actuarial Valuation

Demographic Assumptions

- Percentage of current retirees and retiree spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and retiree spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- Proportion of future female retirees assumed to be married and electing coverage for their spouse.
- Proportion of future retirees assumed to elect health coverage at retirement and proportion of future retirees expected to receive the Opt-Out Credit at retirement.
- Percentage of Higher Education vested terminated members assumed to have terminated less than one year before the valuation date.

MIDLAND COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)

Note 15 - Defined Benefit Pension Plan (continued)

G. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Economic Assumptions

- Assumed per capita health benefit costs, and health benefit costs and retiree contribution trends have been updated since the previous valuation to reflect recent health plan experience and its effects on short-term expectations.
- Annual rate of increase in the Patient-Centered Outcomes Research Institute (PCORI) fee payable under the Affordable Care Act has been updated to reflect recent health plan experience and its effects on our short-term expectations.
- Assumed expenses directly related to the payment of Group Benefits Program (GBP) HealthSelect medical benefits have been updated to reflect recent contract revisions.

Changes in Benefit Terms Since the Prior Actuarial Valuation

- Minor benefit revisions have been adopted since the prior valuation. These changes, which are not expected to have a significant impact on plan costs for FY2022, are provided for in the FY2022 Assumed Per Capita Health Benefit Costs. There were no benefit changes for HealthSelect retirees and the dependents for whom Medicare is primary.

For the year ended August 31, 2023, the District recognized pension expense of \$1,171,829 as well as on-behalf revenue and pension expense of \$790,893 representing pension expense incurred by the State on-behalf of the District.

At August 31, 2023, 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	\$ 167,455	\$ 251,784
Changes in actuarial assumptions	2,151,900	536,313
Net difference between projected and actual investment earnings	4,487,135	3,346,160
Changes in proportion and difference between the employer’s contributions and proportionate share of contributions	357,690	981,459
Contributions paid to TRS subsequent to the measurement date*	985,892	-
Total	\$ 8,150,072	\$ 5,115,716

* The \$985,892 reported as Deferred Outflows of Resources resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended August 31, 2024.

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

Year ended August 31:	Pension Expense Amount
2024	\$ 598,092
2025	258,013
2026	(2,874)
2027	1,135,116
2028	60,117
	\$ 2,048,464

MIDLAND COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)

Note 16 - Other Retirement Plan

Optional Retirement Plan

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

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by Texas state legislature. The percentages of participant salaries currently contributed by the state and each participant are 6.65% and 6.60%, respectively. The District contributes 1.4% for employees who were participating in the Optional Retirement Program prior to September 1, 1995, and 1.4% 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 \$1,949,579 and \$703,920 for the fiscal years ended August 31, 2023 and 2022, 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 \$29,028,070 and \$28,157,076 for fiscal years 2023 and 2022, respectively. The total payroll of employees covered by the Optional Retirement Program was \$5,485,019 and \$5,818,737 for fiscal years 2023 and 2022, respectively.

Note 17 - Postemployment Benefits Other Than Pensions

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

OPEB Plan Fiduciary Net Position. Detailed information about the GBP's fiduciary net position is available in the separately issued ERS Annual Comprehensive Financial Report (ACFR) 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.

MIDLAND COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)

Note 17 - Postemployment Benefits Other Than Pensions (continued)

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

**Maximum Monthly Employer Contribution
 Retiree Health and Basic Life Premium
 Fiscal Year FY23**

Retiree only	\$	625
Retiree & Spouse		1,340
Retiree & Children		1,104
Retiree & Family		1,819

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

**Premium Contributions by Source
 Group Benefits Program Plan
 For the Years Ended August 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Employers	\$ 221,404	\$ 224,904
Members (employees)	138,353	134,517
Nonemployer Contributing Entity (State of Texas)	15,451	14,969

Source: ERS FY2022 Annual Comprehensive Financial Report

MIDLAND COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)

Note 17 - Postemployment Benefits Other Than Pensions (continued)

Actuarial Assumptions. The total OPEB liability was determined by an actuarial valuation as of August 31, 2022 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, 2022
Actuarial cost method	Entry Age
Amortization method	Level Percent of Pay, Open
Remaining amortization period	30 years
Asset valuation method	N/A
Discount rate	3.59%
Projected annual salary increase (includes inflation)	2.30% to 8.95%
Annual healthcare trend rate	<u>Health Select:</u> 5.60% for FY24, 5.30% for FY25, 5.00% for FY26, 4.75% for FY27, 4.60% for FY28, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY31 and later years.
	<u>Health Select Medicare Advantage:</u> 66.67% for FY24, 24.00% for FY25, 5.00% for FY26, 4.75% for FY27, 4.60% for FY28, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY31 and later years.
	<u>Pharmacy:</u> 10.00% for FY24, 10.00% for FY25, decreasing 100 basis points per year to 5.00% for FY30 and 4.30% for FY31 and later years.
Inflation assumption rate	2.30%
Ad hoc post-employment benefit changes	None
Mortality assumptions:	
Service retirees, survivors and other inactive members	Tables based on TRS experience with Ultimate MP Projection Scale from the year 2021.
Disability retirees	Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members.
Active members	Sex Distinct RP-2014 Employee Mortality multiplied by 90% with Ultimate MP Projection Scale from the year 2014.

Source: FY 2022 ERS Annual Comprehensive Financial Report

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

MIDLAND COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)

Note 17 - Postemployment Benefits Other Than Pensions (continued)

Investment Policy. The State Retiree Health Plan (SRHP) is a pay-as-you-go plan and does not accumulate funds in advance of retirement. The ERS’s Board of Trustees amended the investment policy statement in August 2022 to require that all funds in the SRHP be invested in cash and equivalent securities. The expected rate of return on these investments is currently 4.1%, in line with the prevailing returns on 90-day US treasury bills.

Discount Rate. Because the SRHP does not accumulate funds in advance of retirement, the discount rate that was used to measure the total OPEB liability is the municipal bond rates. The discount rate used to determine the total OPEB liability as of the end of the measurement year was 3.59% to reflect the requirements of GASB 75. 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 SRHP are equal to projected benefit payments out of the plan. Because SRHP operates on a pay-as-you-go 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 3.59% in measuring the net OPEB Liability.

	1% Decrease in Discount Rate 2.59%	Discount Rate 3.59%	1% Increase in Discount Rate 4.59%
District’s Proportionate share of the net OPEB liability (in thousands)	\$ 34,674	\$ 29,730	\$ 25,776

Healthcare Trend Rate Sensitivity Analysis. The initial healthcare trend rate is 5.60% and the ultimate rate is 4.3%. 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 (5.60%) in measuring the net OPEB liability.

	1% Decrease Healthcare Cost Trend Rates	Current Healthcare Cost Trend Rates	1% Increase in Healthcare Cost Trend Rates
District’s Proportionate share of the net OPEB liability (in thousands)	\$ 25,459	\$ 29,730	\$ 35,182

MIDLAND COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)

Note 17 - Postemployment Benefits Other Than Pensions (continued)

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

At August 31, 2023, the District reported a liability of \$29,729,769 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	\$ 29,729,769
State’s Proportionate share that is associated with District	<u>20,619,871</u>
	<u>\$ 50,349,640</u>

The net OPEB liability was measured as of August 31, 2022, 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, 2021, thru August 31, 2022.

At the measurement date of August 31, 2022, the employer’s proportion of the collective net OPEB liability was 0.10436272% which was 0.00212177% lower compared to August 31, 2021.

For the year ended August 31, 2023, the District recognized OPEB expense of \$751,076 and revenue of \$751,076 for support provided by the State.

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

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

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

- Demographic assumptions (including rates of retirement, disability, termination, mortality, and assumed salary increases) for higher education members have been updated to reflect assumptions recently adopted by the trustees from the Teachers Retirement System of Texas.
- Assumed expenses, assumed per capita health benefit costs, and assumed health benefit cost, retiree contribution, and expense trends have been updated to reflect recent experience and its effects on our short-term expectations.
- The percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- The percentage of future retirees assumed to be married and electing coverage for their spouse have been updated to reflect recent plan experience and expected trends.
- The discount rate assumption was increased from 2.14% to 3.59% to utilize the updated yield or index rate for 20-year, tax-exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

MIDLAND COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)

Note 17 - Postemployment Benefits Other Than Pensions (continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. (continued)

At August 31, 2023 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ 938,010
Changes in actuarial assumptions	1,746,743	9,189,754
Difference between projected and actual investment return	5,128	-
Changes in proportion and difference between the employer’s contributions and the proportionate share of contributions	4,817,835	1,493,229
Contributions subsequent to the measurement date*	533,715	-
Total	<u>\$ 7,103,421</u>	<u>\$ 11,620,993</u>

* The \$533,715 reported as Deferred Outflows of Resources resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB Liability in the year ended August 31, 2024.

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

<u>Year Ended August 31:</u>	<u>OPEB Expense Amount</u>
2024	\$ (213,281)
2025	(923,271)
2026	(1,259,266)
2027	(1,641,050)
2028	(1,014,419)
	<u>\$ (5,051,287)</u>

MIDLAND COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)

Note 18 - Compensated Absences

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 \$693,334 and \$697,896 on August 31, 2023 and 2022, 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 \$1,289,536 and \$1,244,722 on August 31, 2023 and 2022, respectively. As of August 31, 2023 and 2022, non-exempt employees have accrued approximately \$101,199 and \$104,413, respectively, in compensatory time.

Note 19 - 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 20 - 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 2023 and 2022 for which monies have not been received nor funds expended total \$558,120 and \$525,290, respectively. All of these amounts were from federal contract and grant awards.

Note 21 - 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, 2023 and 2022.

Note 22 - Split Interest Agreements

On September 30, 2022 the administration of the Hodge J. Howard Unitrust transitioned to the Fiduciary Terminations and Transfers Team due to the death of Samuel P. Nesmith, the last living heir, which occurred on October 18, 2018. 25% of the Unitrust will be distributed to Midland College in accordance with the governing trust documents. The Fair Market Value of the Hodge, J Howard Unitrust was \$34,447 as of August 31, 2023. Midland College has received the majority of the expected distributions from Hodge, J Howard Unitrust. As of August 31, 2023, the District has an outstanding receivable as of \$8,612.

MIDLAND COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)

Note 23 - Commitments

As of August 31, 2023, the District has awarded the following contracts for projects that are in progress:

Adolfson & Peterson Construction - Pre-K Academy	\$ 1,903,080
Parkhill - Pre-K Academy	29,876
Mid-Tex - Brown Hall	208,090
Parkhill - Brown Hall	18,987

Note 24 - 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 \$25,293,233 and \$10,178,215 in fiscal years 2023 and 2022, respectively. Two trustees of the District are also on the Board of Directors of the Foundation.

Note 25 - Branch Campus Maintenance Tax

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

	<u>2023</u>	<u>2022</u>
County or Independent School District:	Collections (including penalties and interest)	Collections (including penalties and interest)
Pecos County	\$ 1,112,656	\$ 1,110,430



REQUIRED SUPPLEMENTARY INFORMATION

MIDLAND COLLEGE DISTRICT

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY

For the Last Nine Measurement Years ²

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportionate share of collective net pension liability (%)	0.0194529%	0.0211295%	0.0222454%	0.0206821%	0.0206770%	0.0209193%	0.0210081%	0.0214909%	0.0240000%
District's proportionate share of collective net pension liability (\$)	\$ 11,548,704	\$ 5,380,931	\$ 11,914,165	\$ 10,751,196	\$ 11,381,158	\$ 6,688,879	\$ 7,938,654	\$ 7,596,747	\$ 6,410,732
State's proportionate share of net pension liability associated with District	8,273,922	3,387,838	6,673,683	7,275,293	7,908,667	4,490,670	5,568,440	5,178,200	4,326,729
Total	<u>\$ 19,822,626</u>	<u>\$ 8,768,769</u>	<u>\$ 18,587,848</u>	<u>\$ 18,026,489</u>	<u>\$ 19,289,825</u>	<u>\$ 11,179,549</u>	<u>\$ 13,507,094</u>	<u>\$ 12,774,947</u>	<u>\$ 10,737,461</u>
District's covered-employee payroll	\$ 19,773,566	\$ 19,107,864	\$ 18,447,862	\$ 17,447,336	\$ 16,884,581	\$ 16,349,262	\$ 16,106,059	\$ 15,256,625	\$ 14,206,012
District's proportionate share of collective net pension liability as a percentage of covered-employee payroll	58.40%	28.16%	64.58%	61.62%	67.41%	40.91%	49.29%	49.79%	45.13%
Plan fiduciary net position as percentage of the total pension liability	75.62%	88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

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

² Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Note 1: Changes of Benefit Terms Include:

Minor benefit revisions have been adopted since the prior valuation. These changes, which are not expected to have a significant impact on plan costs for FY2022, are provided for in the FY2022 Assumed Per Capita Health Benefit Costs. There were no benefit changes for Health Select retirees and the dependents for whom Medicare is primary.

Note 2: Changes of Assumptions:

The discount rate was changed from 7.25 percent to 7.00 percent as a result of requirements by GASB Statement 74 to utilize the yield or index rate for 20-year, tax-exempt general obligation bonds rated AA/ Aa (or equivalent) or higher in effect on the measurement date.

MIDLAND COLLEGE DISTRICT
SCHEDULE OF DISTRICT'S PENSIONS CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
For the Last Nine Fiscal Years²

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Legally required Pension contributions	\$ 985,892	\$ 907,836	\$ 902,798	\$ 918,712	\$ 720,736	\$ 701,445	\$ 685,906	\$ 686,879	\$ 606,222
Actual Pension contributions	985,892	907,836	902,798	918,712	720,736	701,445	685,906	686,879	606,222
Pension contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll amount	\$ 20,941,095	\$ 19,773,566	\$ 19,107,864	\$ 18,447,862	\$ 17,447,336	\$ 16,884,581	\$ 16,349,262	\$ 16,106,059	\$ 15,256,625
Contributions as a percentage of covered-employee payroll	4.71%	4.59%	4.72%	4.98%	4.13%	4.15%	4.20%	4.26%	3.97%

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

²Schedule 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 SHARE OF NET OPEB LIABILITY
EMPLOYEES RETIREMENT SYSTEM OF TEXAS - STATE RETIREE HEALTH PLAN
For the Last Six Measurement Years²**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportionate share of collective next OPEB liability (%)	0.1043627%	0.1064845%	0.1027765%	0.0871263%	0.0920000%	0.0665013%
District's proportionate share of collective net OPEB liability (\$)	\$ 29,729,769	\$ 38,201,849	\$ 33,962,112	\$ 30,113,175	\$ 27,254,344	\$ 22,658,999
State's proportionate share of net OPEB liability associated with District	20,619,871	22,652,843	20,860,688	26,390,267	22,216,096	19,971,590
Total	<u>\$ 50,349,640</u>	<u>\$ 60,854,692</u>	<u>\$ 54,822,800</u>	<u>\$ 56,503,442</u>	<u>\$ 49,470,440</u>	<u>\$ 42,630,589</u>
District's covered-employee payroll	\$ 24,335,191	\$ 18,946,887	\$ 22,736,504	\$ 22,449,109	\$ 22,248,782	\$ 21,714,833
District's proportionate share of collective net OPEB liability as a percentage of covered-employee payroll	122.17%	201.63%	149.37%	134.14%	122.50%	104.35%
Plan fiduciary net position as percentage of the total OPEB liability	0.57%	0.38%	0.32%	0.17%	1.27%	2.04%

Note 1: Changes of Benefit Terms Include:

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

Note 2: Changes of Assumptions:

- Demographic assumptions (including rates of retirement, disability, termination, mortality, and assumed salary increases) for higher education members have been updated to reflect assumptions recently adopted by the trustees from the Teachers Retirement System of Texas.
- Assumed expenses, assumed per capita health benefit costs, and assumed health benefit cost, retiree contribution, and expense trends have been updated to reflect recent experience and its effects on our short-term expectations.
- The percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- The percentage of future retirees assumed to be married and electing coverage for their spouse have been updated to reflect recent plan experience and expected trends.
- The discount rate assumption was decreased from 2.14% to 3.59% to utilize the updated yield or index rate for 20-year, tax-exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

MIDLAND COLLEGE DISTRICT
SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
EMPLOYEE RETIREMENT SYSTEM OF TEXAS - STATE RETIREE HEALTH PLAN
For the Last Seven Fiscal Years²

	2023	2022	2021	2020	2019	2018	2017
Legally required OPEB contributions	\$ 533,715	\$ 463,653	\$ 494,837	\$ 464,487	\$ 1,346,051	\$ 1,238,174	\$ 1,197,854
Actual OPEB contributions	533,715	463,653	494,837	464,487	1,346,051	1,238,174	1,197,854
Contributions deficiency (excess)	-	-	-	-	-	-	-
District's covered employee payroll amount	\$ 24,399,727	\$ 24,335,191	\$ 18,946,887	\$ 22,736,504	\$ 22,449,109	\$ 22,248,782	\$ 21,714,833
Contributions as a percentage of covered-employee payroll	2.19%	1.91%	2.61%	2.04%	6.00%	5.57%	5.52%

The amounts presented above are as of the District's respective fiscal year-end

²Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.



SCHEDULES

MIDLAND COLLEGE DISTRICT
SCHEDULE OF DETAILED OPERATING REVENUES
Year Ended August 31, 2023
(With Memorandum Totals for the Year Ended August 31, 2022)

Schedule A

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	2023	2022
Tuition:						
State funded credit courses:						
In-district resident tuition	\$ 3,944,149	\$ -	\$ 3,944,149	\$ -	\$ 3,944,149	\$ 4,135,134
Out-of-district resident tuition	2,862,043	-	2,862,043	-	2,862,043	2,634,163
Non-resident tuition	536,209	-	536,209	-	536,209	516,606
TPEG – credit (set aside) ¹	355,740	-	355,740	-	355,740	360,214
State-funded continuing education	1,325,761	-	1,325,761	-	1,325,761	994,301
TPEG – non-credit (set aside) ¹	84,623	-	84,623	-	84,623	63,466
Non-state funded continuing educational programs	187,501	-	187,501	-	187,501	219,958
Total Tuition	9,296,026	-	9,296,026	-	9,296,026	8,923,842
Fees:						
General use fee	2,006,697	-	2,006,697	-	2,006,697	2,314,612
Lab fees	548,727	-	548,727	-	548,727	538,680
Distance learning fee	-	-	-	-	-	841
Other fees	99,863	-	99,863	-	99,863	97,911
Total Fees	2,655,287	-	2,655,287	-	2,655,287	2,952,044
Scholarship Allowances and Discounts:						
Scholarships	(1,420,777)	-	(1,420,777)	-	(1,420,777)	(751,886)
Remissions and exemptions - state	(214,223)	-	(214,223)	-	(214,223)	(192,273)
Remissions and exemptions - local	-	-	-	-	-	-
Title IV federal grants	(1,638,675)	-	(1,638,675)	-	(1,638,675)	(1,692,736)
Other federal grants	(5,574)	-	(5,574)	-	(5,574)	(2,059,741)
TPEG awards	(240,596)	-	(240,596)	-	(240,596)	(384,163)
Other state grants	(8,034)	-	(8,034)	-	(8,034)	(34,342)
Other local grants	(11,905)	-	(11,905)	-	(11,905)	-
Total Scholarship Allowances	(3,539,784)	-	(3,539,784)	-	(3,539,784)	(5,115,141)
Total Net Tuition and Fees	8,411,529	-	8,411,529	-	8,411,529	6,760,745
Additional Operating Revenues:						
Federal grants and contracts	62,856	1,969,885	2,032,741	-	2,032,741	7,918,507
State grants and contracts	-	377,310	377,310	-	377,310	691,555
Local grants and contracts	1,204,736	1,270,536	2,475,272	-	2,475,272	1,803,293
Non-governmental grants and contracts	79,960	1,246,165	1,326,125	30,060	1,356,185	1,532,455
Sales and services of educational activities	524,600	-	524,600	-	524,600	567,440
Investment income (program restricted)	-	1,589,071	1,589,071	5,175	1,594,246	(56,476)
General operating revenues	558,946	324,577	883,523	325	883,848	1,905,768
Total Additional Operating Revenues	2,431,098	6,777,544	9,208,642	35,560	9,244,202	14,362,542
Auxiliary Enterprises:						
Bookstore ²	-	-	-	58,517	58,517	102,538
Residential/food service	-	-	-	1,164,926	1,164,926	1,013,620
Less discounts	-	-	-	(479,319)	(479,319)	(313,135)
Athletics	-	-	-	4,745	4,745	1,263
Other	-	-	-	21,230	21,230	24,769
Total Net Auxiliary Enterprises	-	-	-	770,099	770,099	829,055
Total Operating Revenues	\$10,842,627	\$ 6,777,544	\$17,620,171	\$ 805,659	\$18,425,830	\$21,952,342
					(Exhibit 2)	(Exhibit 2)

¹ In accordance with Education Code 56.033, \$440,363 and \$423,680 of tuition for years ended August 31, 2023 and 2022, respectively, was set aside for Texas Public Education grants (TPEG).

² 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 OF OPERATING EXPENSES BY OBJECT

For the Year Ended August 31, 2023

(With Memorandum Totals for the Year Ended August 31, 2022)

Schedule B

	Operating Expenses			2023	restated 2022	
	Salaries and Wages	Benefits	Other Expenses			
		State	Local			
Unrestricted - Educational Activities						
Instruction	\$ 13,481,678	\$ -	\$ 3,128,317	\$ 1,616,820	\$ 18,226,815	\$ 16,993,953
Public service	1,249,673	-	428,537	245,325	1,923,535	2,243,464
Academic support	4,185,492	-	1,410,690	2,968,605	8,564,787	8,649,935
Student services	2,764,381	-	1,088,289	337,097	4,189,767	4,601,808
Institutional support	3,931,531	-	1,287,024	1,903,611	7,122,166	7,273,029
Operation and maintenance of plant	919,826	-	687,779	4,528,993	6,136,598	6,295,528
Scholarships and fellowships	-	-	-	38,828	38,828	33,171
Total Unrestricted Educational Activities	26,532,581	-	8,030,636	11,639,279	46,202,496	46,090,888
Restricted – Educational Activities						
Instruction	369,818	1,128,095	7,976	356,792	1,862,681	541,579
Public service	724,394	127,835	310,573	2,223,778	3,386,580	1,672,478
Academic support	500	391,783	644	357,177	750,104	447,705
Student services	112,566	282,969	40,047	206,417	641,999	210,216
Institutional support	-	366,561	-	91,677	458,238	271,378
Operation and maintenance of plant	-	-	-	487,701	487,701	754,820
Scholarships and fellowships	12,875	-	-	4,845,632	4,858,507	5,317,478
Total Restricted Educational Activities	1,220,153	2,297,243	359,240	8,569,174	12,445,810	9,215,654
Total Educational Activities	27,752,734	2,297,243	8,389,876	20,208,453	58,648,306	55,306,542
Auxiliary Enterprises	1,228,068	-	485,163	2,828,878	4,542,109	4,028,272
Depreciation Expense – Buildings and other real estate improvements	-	-	-	3,491,082	3,491,082	3,454,189
Depreciation Expense – Equipment and furniture	-	-	-	1,119,930	1,119,930	1,211,395
Amortization Expense - Leases	-	-	-	105,793	105,793	25,203
Amortization Expense - Subscriptions	-	-	-	431,505	431,505	290,110
Total Operating Expenses	\$ 28,980,802	\$ 2,297,243	\$ 8,875,039	\$ 28,185,641	\$ 68,338,725	\$ 64,315,711
				(Exhibit 2)	(Exhibit 2)	

MIDLAND COLLEGE DISTRICT

SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES

For the Year Ended August 31, 2023

(With Memorandum Totals for the Year Ended August 31, 2022)

Schedule C

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary Enterprises</u>	<u>2023</u>	<u>Restated 2022</u>
Non-Operating Revenues					
State Appropriations:					
Education and general state support	\$ 7,089,473	\$ -	\$ -	\$ 7,089,473	\$ 7,089,473
State group insurance	-	1,383,202	-	1,383,202	(285,995)
State retirement matching	-	914,041	-	914,041	232,446
Permian Basin Petroleum Museum	-	307,853	-	307,853	307,854
Total State Appropriations	<u>7,089,473</u>	<u>2,605,096</u>	<u>-</u>	<u>9,694,569</u>	<u>7,343,778</u>
Maintenance ad valorem taxes	35,069,160	-	-	35,069,160	33,294,526
Debt service ad valorem taxes	-	2,974,982	-	2,974,982	2,901,347
Federal revenue, non-operating	-	4,777,559	-	4,777,559	4,176,174
Gifts	-	1,632,913	-	1,632,913	1,792,415
Investment income	1,648,643	-	583,028	2,231,671	(155,255)
Contributions in aid of construction	-	22,267,883	-	22,267,883	6,477,510
Additions to permanent endowments	-	50,103	-	50,103	115,308
Total Non-Operating Revenues	<u>36,717,803</u>	<u>31,703,440</u>	<u>583,028</u>	<u>69,004,271</u>	<u>48,602,025</u>
Non-Operating Expenses					
Interest on capital related debt	-	(402,054)	-	(402,054)	(473,487)
Loss on disposal of capital assets	(5,952)	-	-	(5,952)	(201,777)
Total Non-Operating Expense	<u>(5,952)</u>	<u>(402,054)</u>	<u>-</u>	<u>(408,006)</u>	<u>(675,264)</u>
Net Non-Operating Revenues	<u>\$ 43,801,324</u>	<u>\$ 33,906,482</u>	<u>\$ 583,028</u>	<u>\$ 78,290,834</u>	<u>\$ 55,270,539</u>
				(Exhibit 2)	(Exhibit 2)

MIDLAND COLLEGE DISTRICT

Schedule D

SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY

For the Year Ended August 31, 2023

(With Memorandum Totals for the Year Ended August 31, 2022)

	<u>Detail by Source</u>				<u>Detail by Source</u>	<u>Available for Current Operations</u>	
	<u>Unrestricted</u>	<u>Restricted Expendable</u>	<u>Non-Expendable</u>	<u>Capital Assets Net of Depreciation & Related Debt</u>	<u>Total</u>	<u>Yes</u>	<u>No</u>
Current:							
Unrestricted	\$ 4,483,741	\$ -	\$ -	\$ -	\$ 4,483,741	\$ 4,483,741	\$ -
Restricted	-	9,737,593	-	-	9,737,593	9,737,593	-
Auxiliary enterprises	730,058	-	-	-	730,058	730,058	-
Endowment:							
Quasi:							
Unrestricted	-	-	-	-	-	-	-
Endowment:							
TRUE	-	-	5,220,427	-	5,220,427	-	5,220,427
Plant:							
Debt service	(317,542)	-	-	-	(317,542)	(317,542)	-
Investment in plant	-	-	-	114,709,984	114,709,984	-	114,709,984
Total Net Position							
August 31, 2023	4,896,257	9,737,593	5,220,427	114,709,984	134,564,261	14,633,850	119,930,411
Total Net Position							
August 31, 2022 (Restated)	(407,782)	17,171,582	5,209,432	84,213,090	106,186,322	16,763,800	89,422,522
Net Increase (Decrease)							
in Net Position	\$ 5,304,039	\$ (7,433,989)	\$ 10,995	\$ 30,496,894	\$ 28,377,939	\$ (2,129,950)	\$ 30,507,889

MIDLAND COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2023

Schedule E

Federal Grantor/Pass Through Grantor/ Program Title	Federal Assistance Listing Number	Pass Through Entity Identifying Number	Direct Awards	Pass-through Awards	Federal Expenditures	Subrecipients Expenditures
U.S. Department of Education						
Direct Awards:						
<i>Federal Supplemental Educational Opportunity Grant</i>	84.007	P007A224070	\$ 114,985	\$ -	\$ 114,985	\$ -
<i>Federal College Work Study Program</i>	84.033	P033A224070	12,875	-	12,875	-
<i>Federal Pell Grant Program</i>	84.063	P063P223245	4,649,699	-	4,649,699	-
<i>Federal Direct Student Loans</i>	84.268	P268K233245	900,088	-	900,088	-
<i>Total Student Financial Assistance Cluster</i> <i>(ALN 84.007, 84.033, 84.063, 84.268)</i>			<u>5,677,647</u>	<u>-</u>	<u>5,677,647</u>	<u>-</u>
Higher Education Emergency Relief Fund:						
<i>Education Stabilization Fund-Student COVID-19</i>	84.425E	P425E202001	785,000	-	785,000	-
<i>Texas Reskilling and Upskilling for Education Institutional Capacity COVID-19</i>	84.425C	25735	47,698	-	47,698	-
<i>Total ALN 84.425</i>			<u>832,698</u>	<u>-</u>	<u>832,698</u>	<u>-</u>
Pass-through Texas Workforce Commission:						
<i>Adult Education and Literacy – AEL Combined</i>	84.002A	1118ALAE01	-	431,948	431,948	-
<i>Adult Education and Literacy – AEL Combined</i>	84.002A	1118ALAF01	-	96,465	96,465	-
<i>Total ALN 84.002</i>			<u>-</u>	<u>528,413</u>	<u>528,413</u>	<u>-</u>
Pass-through Texas Higher Education Coordinating Board:						
<i>Career and Technical Education – Basic Grants</i>	84.048	28784	-	192,059	192,059	-
Total U.S. Department Of Education			<u>6,510,345</u>	<u>720,472</u>	<u>7,230,817</u>	<u>-</u>
National Science Foundation						
Pass-through University of Texas at El Paso						
<i>LSAMP</i>	47.076	226100996B	-	39,775	39,775	-
Total National Science Foundation			<u>-</u>	<u>39,775</u>	<u>39,775</u>	<u>-</u>
U.S. Department of Health and Human Services						
Pass-through from Texas Tech University Health Sciences Center:						
<i>Model State Supported Area Health Education Centers</i>	93.107	17082FBV-05	-	123,903	123,903	-
Pass-through from Texas Workforce Commission:						
<i>Adult Education and Literacy - TANF</i>	93.558	1118ALAE01	-	37,415	37,415	-
<i>Adult Education and Literacy - TANF</i>	93.558	1118ALAF01	-	1,708	1,708	-
<i>Total ALN 93.558</i>			<u>-</u>	<u>39,123</u>	<u>39,123</u>	<u>-</u>
Pass-through from Permian Basin Workforce Development Board						
<i>Child Care Scholarship Agreement - CCDF Cluster</i>	93.575	128-14	-	2,353	2,353	-
Pass-through from South Plains Community Action Association, Inc.						
Head Start Division:						
<i>Head Start Partnership Agreement 4/1/22-3/31/23</i>	93.600	06CH010880	-	202,438	202,438	-
<i>Head Start Partnership Agreement 4/1/23-3/31/24</i>	93.600	06CH010880	-	70,323	70,323	-
<i>Total Head Start Cluster (ALN 93.600)</i>			<u>-</u>	<u>272,761</u>	<u>272,761</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>-</u>	<u>438,140</u>	<u>438,140</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 6,510,345</u>	<u>\$ 1,198,387</u>	<u>\$ 7,708,732</u>	<u>\$ -</u>

MIDLAND COLLEGE DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2023

Note 1: Federal Assistance Reconciliation

Other Operating Revenues -Federal Grants and Contracts revenue – per Schedule A	\$ 1,969,885
Add: Indirect/Administrative Cost Recoveries-per schedule A	62,856
Add: Non-Operating Federal Revenue per Schedule C	<u>4,777,559</u>
Total Federal Revenues per Schedule A and C	<u>6,810,300</u>
 Reconciling Item:	
Add: Direct Student Loans	900,088
Reduce: OPEB for Medicare Part D RDS Payment	<u>(1,656)</u>
Total Federal Revenues per Schedule of Expenditures of Federal Awards	<u><u>\$ 7,708,732</u></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 elected to use the 10 percent de minimis cost rate as permitted in the UG, Section 200.414. The District has followed all applicable guidelines issued by various entities in the preparation of the schedule.

MIDLAND COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended August 31, 2023

Schedule F

<u>State Grantor/Pass-Through Grantor/ Program Title</u>	<u>Grant/Contract Number</u>	<u>Pass-Through Disbursement and Expenditures</u>
Direct Programs:		
Texas Higher Education Coordinating Board:		
Texas College Work Study		\$ 9,582
Texas Education Opportunity Grant		168,169
Subtotal-Texas Higher Education Coordinating Board		<u>177,751</u>
Pass-Through from Texas Tech University Health Sciences Center:		
Area Health Education Center	CON3399562	<u>199,559</u>
Total State Financial Assistance		<u><u>\$ 377,310</u></u>
Note 1: State Assistance Reconciliation		
Total State Financial Assistance per Schedule of Expenditures of State Awards		\$ 377,310
Total State Revenues per Schedule A		<u><u>\$ 377,310</u></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.

**OVERALL COMPLIANCE, INTERNAL CONTROL, AND
FEDERAL AND STATE AWARDS SECTION**



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Trustees
Midland College District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Midland College District (the "District"), as of and for the years ended August 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon December 12, 2023.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

The Board of Trustees
Midland College District

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Midland, Texas
December 12, 2023

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Trustees
Midland College District

Report on Compliance for Each Major Federal Program

Opinion On Each Major Program

We have audited Midland College District (the “District”) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District’s major federal programs for the year ended August 31, 2023. 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.

In our opinion, the District’s complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2023.

Basis for Opinion On Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of the District’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District’s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

To the Board of Trustees
Midland College District

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Whitley Penn LLP

Midland, Texas
December 12, 2023

MIDLAND COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2023

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness (es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness (es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance with major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a) ?	No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>Assistance Listing Number (ALN)</u>
---	--

US Department of Education

Student Financial Assistance Cluster	
<i>Federal Supplemental Educational Opportunity Grant</i>	84.007
<i>Federal College Work Study Program</i>	84.033
<i>Federal Pell Grant Program</i>	84.063
<i>Federal Direct Student Loans</i>	84.268
<i>Education Stabilization Fund-Student COVID-19</i>	84.425E
<i>Texas Reskilling and Upskilling for Education Institutional Capacity COVID-19</i>	84.425C
Dollar Threshold Considered Between Type A and Type B Federal Programs	\$750,000
Auditee qualified as low risk auditee?	Yes

MIDLAND COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended August 31, 2023

II. Financial Statement Findings

None noted.

III. Federal Award Findings and Questioned Costs

None noted.



STATISTICAL SUPPLEMENT

MIDLAND COLLEGE DISTRICT
NET POSITION BY COMPONENT
Last Ten Fiscal Years (Unaudited)

Table 1
Page 1 of 2

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Net investment in capital assets	\$ 114,710	\$ 84,213	\$ 78,312	\$ 77,776	\$ 71,521
Restricted - expendable	9,738	17,172	9,547	9,836	11,396
Restricted - nonexpendable	5,220	5,209	5,341	5,366	5,298
Unrestricted	4,896	(408)	(573)	(2,656)	(2,475)
Total Primary Government Net Position	<u>\$ 134,564</u>	<u>\$ 106,186</u>	<u>\$ 92,627</u>	<u>\$ 90,322</u>	<u>\$ 85,740</u>

MIDLAND COLLEGE DISTRICT
NET POSITION BY COMPONENT
Last Ten Fiscal Years (Unaudited)

Table 1
Page 2 of 2

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Net investment in capital assets	\$ 66,158	\$ 65,124	\$ 64,293	\$ 64,808	\$ 61,459
Restricted - expendable	6,025	5,649	5,297	5,194	4,667
Restricted - nonexpendable	5,168	5,245	5,296	5,307	5,346
Unrestricted	(1,813)	19,544	17,202	14,017	20,697
Total Primary Government Net Position	<u>\$ 75,538</u>	<u>\$ 95,562</u>	<u>\$ 92,088</u>	<u>\$ 89,326</u>	<u>\$ 92,169</u>

MIDLAND COLLEGE DISTRICT
REVENUES BY SOURCE
Last Ten Fiscal Years (Unaudited)

Table 2

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Tuition and Fees (net of discounts)	\$ 8,412	\$ 6,761	\$ 7,682	\$ 8,360	\$ 9,171	\$ 9,648	\$ 9,839	\$ 9,417	\$ 9,232	\$ 9,778
Federal Grants and Contracts	2,033	7,919	4,117	1,485	897	971	863	1,007	1,459	1,532
State Grants and Contracts	377	692	489	558	756	828	725	543	557	881
Local Grants and Contracts	2,475	1,803	1,759	1,629	5,398	1,934	1,567	1,621	1,734	1,758
Non-Governmental Grants and Contracts	1,356	1,532	2,371	2,050	5,918	1,299	1,326	1,498	876	1,035
Sales and services of educational activities	525	567	567	448	691	583	476	623	632	510
Investment income-program restricted	1,594	(56)	213	340	358	120	110	142	141	225
Auxiliary enterprises (net of discounts)	770	830	797	762	1,034	817	845	1,049	1,153	1,180
Other operating revenues	884	1,906	744	644	994	1,394	747	749	603	507
Total Operating Revenues	18,426	21,954	18,739	16,276	25,217	17,594	16,498	16,649	16,387	17,406
State Appropriations	9,695	7,344	8,798	9,409	8,526	10,098	10,680	10,709	11,221	11,106
Ad Valorem Taxes	38,044	36,196	35,642	33,980	31,104	29,169	28,023	27,458	25,453	23,785
Federal Revenue, non-operating	4,778	4,176	3,585	4,018	4,256	4,477	5,400	4,790	4,290	4,017
Gifts	1,633	1,792	1,344	1,145	1,412	1,724	2,094	1,744	2,297	1,491
Investment income	2,232	-	115	662	998	422	321	185	165	87
Contributions in aid of construction	22,268	6,478	-	4,023	3,600	-	-	-	1	21
Gain on disposal of fixed assets	-	-	26	-	-	-	-	-	-	18
Additions to permanent endowments	50	115	16	42	33	42	17	34	5	18
Other non-operating revenues	-	-	-	-	-	-	-	-	-	-
Total Non-Operating Revenues	78,700	56,101	49,526	53,279	49,929	45,932	46,535	44,920	43,432	40,543
Total Revenues	\$ 97,126	\$ 78,055	\$ 68,265	\$ 69,555	\$ 75,146	\$ 63,526	\$ 63,033	\$ 61,569	\$ 59,819	\$ 57,949

MIDLAND COLLEGE DISTRICT
PROGRAM EXPENSES BY FUNCTION
Last Ten Fiscal Years (Unaudited)

Table 3

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Instruction	\$ 20,089	\$ 17,536	\$ 18,381	\$ 19,148	\$ 19,308	\$ 18,118	\$ 20,526	\$ 19,694	\$ 19,169	\$ 18,531
Public service	5,310	3,916	4,185	4,163	3,323	2,777	2,911	2,776	2,542	2,593
Academic support	9,315	9,098	8,634	8,579	8,403	7,408	6,382	6,749	6,085	5,785
Student services	4,832	4,812	5,220	4,276	4,162	3,916	4,271	4,067	3,808	3,777
Institutional support	7,581	7,544	6,533	7,575	7,049	6,529	7,204	6,702	6,605	6,411
Operation and maintenance of plant	6,624	7,050	7,861	7,909	6,099	6,232	5,707	5,968	5,574	5,848
Scholarships & fellowships (net of discounts)	4,898	5,351	4,795	3,661	2,999	3,487	3,672	3,877	2,704	2,908
Auxiliary enterprises (net of discounts)	4,542	4,028	4,754	4,336	4,146	3,507	3,816	3,668	3,627	3,488
Depreciation and amortization	5,148	4,981	4,722	4,471	4,637	3,954	3,729	3,720	3,754	3,758
Total Operating Expenses	68,339	64,316	65,085	64,118	60,126	55,928	58,218	57,221	53,868	53,099
Interest on capital related debt	402	473	875	848	1,212	1,170	1,320	1,521	1,527	1,641
Loss on disposal of fixed assets	6	202	-	9	6	3	19	65	4	-
Other non-operating expenses	-	155	-	-	-	-	-	-	-	-
Total Non-Operating Expenses	408	830	875	857	1,218	1,173	1,339	1,586	1,531	1,641
Total Expenses	\$ 68,747	\$ 65,146	\$ 65,960	\$ 64,975	\$ 61,344	\$ 57,101	\$ 59,557	\$ 58,807	\$ 55,399	\$ 54,740

MIDLAND COLLEGE DISTRICT
TUITION AND FEES
Last Ten Fiscal Years (Unaudited)

Table 4

Academic Year (Fall)	Resident-Lower Division						Increase from Prior Year In- District	Increase from Prior Year Out- of-District
	In-District Tuition	Out-of-District Tuition	Fees per Semester Credit Hour			Cost for 12 SCH Out-of-District		
			General Use Fee	Cost for 12 SCH In-District	Cost for 12 SCH Out-of-District			
2023	\$ 69	\$ 125	\$ 30	\$ 1,188	\$ 1,860	1.02%	0.65%	
2022	68	124	30	1,176	1,848	7.69%	6.21%	
2021	66	120	25	1,092	1,740	2.25%	1.40%	
2020	64	118	25	1,068	1,716	-	-	
2019	64	118	25	1,068	1,716	-	1.42%	
2018	64	116	25	1,068	1,692	3.49%	3.68%	
2017	62	112	24	1,032	1,632	4.88%	3.03%	
2016	58	108	24	984	1,584	5.13%	5.60%	
2015	56	103	22	936	1,500	4.00%	2.46%	
2014	56	103	19	900	1,464	4.17%	6.09%	

Academic Year (Fall)	Non-Resident-Lower Division						Increase from Prior Year Out of State	Increase from Prior Year International
	Non-Resident Tuition Out of State	Non-Resident Tuition International	Fees per Semester Credit Hour			Cost for 12 SCH International		
			General Use Fee	Cost for 12 SCH Out of State	Cost for 12 SCH International			
2023	167	\$ 167	\$ 30	\$ 2,364	\$ 2,364	0.51%	0.51%	
2022	166	166	30	2,352	2,352	17.37%	17.37%	
2021	162	162	25	2,244	2,244	1.08%	1.08%	
2020	160	160	25	2,220	2,220	-	-	
2019	160	160	25	2,220	2,220	1.09%	1.09%	
2018	158	158	25	2,196	2,196	3.98%	3.98%	
2017	152	152	24	2,112	2,112	2.33%	2.33%	
2016	148	148	24	2,064	2,064	4.88%	4.88%	
2015	142	142	22	1,968	1,968	1.86%	1.86%	
2014	142	142	19	1,932	1,932	4.55%	4.55%	

MIDLAND COLLEGE DISTRICT

ASSESSED VALUE AND TAXABLE ASSESSED VALUE OF PROPERTY

Last Ten Fiscal Years (Unaudited)

Table 5

Fiscal Year	(amounts expressed in thousands)				Direct Rate				
	Assessed Valuation of Property	Less: Exemptions	Taxable Assessed Value (TAV)	Ratio of Taxable Assessed Value to Assessed Value	Total Taxes Assessed	Maintenance & Operations (a)	Debt Service (a)	Total	(a)
2023	\$ 49,082,033	\$ 1,764,432	\$ 47,317,601	96.41%	\$ 36,009	0.073740	0.006270	0.080010	
2022	37,930,122	1,802,803	36,127,319	95.25%	36,295	0.093140	0.008011	0.101151	
2021	39,582,768	1,728,003	37,854,765	95.63%	35,367	0.084682	0.007526	0.092208	
2020	38,603,722	1,975,688	36,628,034	94.88%	33,864	0.083650	0.007560	0.091210	
2019	28,353,759	1,588,258	26,765,501	94.40%	31,280	0.104363	0.010358	0.114721	
2018	24,308,301	1,440,043	22,868,258	94.08%	29,132	0.113080	0.012170	0.125250	
2017	21,769,005	1,435,909	20,333,096	93.40%	27,879	0.123460	0.013650	0.137110	
2016	22,806,351	1,450,393	21,355,958	93.64%	26,894	0.112160	0.013770	0.125930	
2015	21,632,033	1,308,136	20,323,897	93.95%	25,281	0.109700	0.014700	0.124400	
2014	18,998,198	1,121,399	17,876,799	94.10%	23,805	0.117200	0.016000	0.133200	
2013	16,560,425	902,788	15,657,637	94.55%	22,575	0.117200	0.017790	0.134990	

Source: Local Appraisal District

Notes: Property is assessed at full market value.

MIDLAND COLLEGE DISTRICT

STATE APPROPRIATION PER FTSE AND CONTACT HOURS

Last Ten Fiscal Years (Unaudited)

Table 6

Fiscal Year	Appropriation per FTSE			Appropriation per Contact Hour			State 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)	
2023	\$ 7,089	\$ 3,092	\$ 2,293	1,768	779	2,547	2.78
2022	7,089	2,995	2,367	1,070	653	1,723	4.11
2021	7,728	2,885	2,679	1,043	611	1,654	4.67
2020	7,728	3,125	2,473	1,158	670	1,828	4.23
2019	8,135	3,376	2,409	1,390	700	2,090	3.89
2018	8,135	2,829	2,875	1,449	736	2,185	3.72
2017	7,690	3,134	2,454	1,643	732	2,375	3.24
2016	7,679	3,742	2,052	1,684	767	2,451	3.13
2015	8,514	3,742	2,275	1,594	696	2,290	3.72
2014	8,514	3,807	2,236	1,700	819	2,519	3.38

(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
2023	614	165	779
2022	522	131	653
2021	509	102	611
2020	575	95	670
2019	567	133	700
2018	565	171	736
2017	603	129	732
2016	561	206	767
2015	486	210	696
2014	564	255	819

MIDLAND COLLEGE DISTRICT
FACULTY, STAFF, AND ADMINISTRATORS STATISTICS
Last Ten Fiscal Years (Unaudited)

Table 7

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Faculty										
Full-Time	122	122	125	125	137	141	134	133	142	145
Part-Time	100	83	82	112	111	153	146	157	124	121
Total	222	205	207	237	248	294	280	290	266	266
Percent										
Full-Time	55.0%	59.5%	60.4%	52.7%	55.2%	48.0%	47.9%	45.9%	53.4%	54.5%
Part-Time	45.0%	40.5%	39.6%	47.3%	44.8%	52.0%	52.1%	54.1%	46.6%	45.5%
Staff and Administrators										
Full-Time	231	218	236	241	264	284	287	276	260	262
Part-Time	269	286	233	288	382	285	311	157	301	315
Total	500	504	469	529	646	569	598	433	561	577
Percent										
Full-Time	46.2%	43.3%	50.3%	45.6%	40.9%	49.9%	48.0%	63.7%	46.3%	45.4%
Part-Time	53.8%	56.7%	49.7%	54.4%	59.1%	50.1%	52.0%	36.3%	53.7%	54.6%
Students per Full-Time Faculty	42.3	41.4	38.1	41.5	38.6	39.6	42.3	40.9	32.5	36.1
Students per Full-Time Staff Member	22.3	23.1	20.2	21.5	20.0	19.7	19.7	19.7	17.8	20.0
Average Annual Faculty Salary	\$67,935	\$ 64,503	\$ 64,503	\$ 65,433	\$ 64,725	\$ 62,257	\$ 62,257	\$ 61,444	\$ 61,064	\$ 58,940
Notes:										
Fall Headcount	5160	5,045	4,763	5,184	5,282	5,589	5,664	5,439	4,618	5,236

MIDLAND COLLEGE DISTRICT
SCHEDULE OF CAPITAL ASSET INFORMATION
Last Ten Fiscal Years (Unaudited)

Table 8

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Academic Buildings	22	22	22	22	22	22	22	22	22	22
Square footage (in thousands)	560	560	560	560	560	520	520	520	520	520
Libraries	1	1	1	1	1	1	1	1	1	1
Square footage (in thousands)	52	52	52	52	52	52	52	52	52	52
Administrative and Support Buildings	7	7	7	7	5	5	5	5	5	5
Square footage (in thousands)	85	85	85	85	85	70	70	70	70	70
Dormitories	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
Apartments	11	11	11	11	10	10	10	10	10	10
Square footage (in thousands)	12	12	12	12	12	12	12	12	12	12
Number of beds	22	22	22	22	20	20	20	20	20	20
Dining Facilities	3	1	1	1	1	1	1	1	1	1
Square footage (in thousands)	19	20	20	20	11	11	11	11	11	11
Athletic Facilities	6	6	6	6	6	6	6	6	6	6
Square footage (in thousands)	136	136	136	136	136	136	136	136	136	136
Multipurpose Center	1	1	1	1	1	1	1	1	1	1
Gymnasiums	2	2	2	2	2	2	2	2	2	2
Softball Dressing Facility	1	1	1	1	1	1	1	1	1	1
Baseball Practice Facility	1	1	1	1	1	1	1	1	1	1
Tennis Pro Shop	1	1	1	1	1	1	1	1	1	1
Plant facilities	2	2	2	2	2	2	2	2	2	2
Square footage (in thousands)	29	29	29	29	26	26	26	26	26	26
Chapel	1	1	1	1	1	1	1	1	1	1
Square footage (in thousands)	2	2	2	2	2	2	2	2	2	2
Childrens Center	5	4	4	4	1	1	1	1	1	1
Square footage (in thousands)	69	15	15	15	15	11	11	11	11	11
Transportation										
Cars	10	12	13	14	16	11	12	11	9	12
Light Trucks/Vans	32	29	25	23	20	20	20	20	20	25
Heavy trucks	12	11	11	12	12	13	9	8	8	6
Buses	9	8	9	11	12	8	8	8	8	8

MIDLAND COLLEGE DISTRICT
HEAD COUNT ENROLLMENT TREND
CREDIT HOUR STUDENTS ONLY
Last Ten Fiscal Years (Unaudited)

Table 9

Fiscal Year	Fall	Spring	Sum I	Sum II	Duplicated Total	Annual Unduplicated
2023	5,160	5,022	773	773	11,728	6,909
2022	5,045	5,074	798	798	11,715	7,012
2021	5,115	4,826	814	814	11,569	7,018
2020	5,131	6,029	1,592	1,593	14,345	7,656
2019	5,282	6,087	1,529	1,529	14,427	8,292
2018	5,589	6,405	1,418	1,418	14,830	8,448
2017	5,664	7,253	3,207	1,968	18,092	9,662
2016	5,439	7,136	3,727	2,353	18,655	10,183
2015	4,618	6,527	3,533	2,422	17,100	9,512
2014	5,236	6,276	3,220	2,310	17,042	9,522