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MIDLAND INDEPENDENT SCHOOL DISTRICT

# ANNUAL FINANCIAL REPORT

for year ended

August 31, 2015



615 WEST MISSOURI  
MIDLAND, TEXAS 79701-5017

*Educating the Future!*

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MIDLAND INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2015

TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	<b>CERTIFICATE OF BOARD</b>	1
	<b>Financial Section:</b>	
	Independent Auditor's Report	5
	Management's Discussion and Analysis	9
	<b>Basic Financial Statements:</b>	
	<u>Government Wide Financial Statements</u>	
A-1	Statement of Net Position	17
B-1	Statement of Activities	18
	<u>Governmental Fund Financial Statements</u>	
C-1	Balance Sheet	20
C-2	Reconciliation for C-1	23
C-3	Statement of Revenues, Expenditures, and Changes in Fund Balance	24
C-4	Reconciliation for C-3	26
	<u>Proprietary Funds Financial Statements</u>	
D-1	Statement of Net Position	27
D-2	Statement of Revenues, Expenses, and Changes in Fund Net Position	28
D-3	Statement of Cash Flows	29
	<u>Fiduciary Fund Financial Statements</u>	
E-1	Statement of Fiduciary Net Position	30
E-2	Statement of Changes in Fiduciary Net Position	31
	Notes to the Financial Statements	33
	<b>Required Supplementary Information:</b>	
G-1	Budgetary Comparison Schedule - General Fund	61
G-2	Schedule of the District's Proportionate Share of the Net Pension Liability- Teachers Retirement System	62
G-3	Schedule of the District's Contributions – Teacher Retirement System	63

TABLE OF CONTENTS (CONTINUED)

**Exhibit**

**Page**

**Other Supplementary Information:**

**Combining Schedules:**

Nonmajor Governmental Funds

H-1	Combining Balance Sheet	68
H-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	72

**Required TEA Schedules:**

J-1	Schedule of Delinquent Taxes Receivable	78
J-4	Budgetary Comparison Schedule - National School Brkfst/Lunch Prog.	80
J-5	Budgetary Comparison Schedule - Debt Service Fund	81

**Federal 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 <i>Government Auditing Standards</i>	85
	Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	87
	Schedule of Findings and Questioned Costs	89
	Summary Schedule of Prior Audit Findings	91
K-1	Schedule of Expenditures of Federal Awards	93
	Notes to The Schedule of Expenditures of Federal Awards	95

**CERTIFICATE OF BOARD**

Midland Independent School District  
Midland County

Co.-Dist. Number - 165901

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one)  approved  disapproved for the year ended August 31, 2015 at a meeting of the Board of Trustees of such school district on the 11th day of January, 2016.

  
\_\_\_\_\_  
Signature of Board Secretary

  
\_\_\_\_\_  
Signature of Board President

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**FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

To the Superintendent and the Board of Trustees  
Midland Independent School District  
Midland, Texas

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

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Midland Independent School District, (the District), as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



To the Superintendent and the Board of Trustees  
Midland Independent School District

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America

## **Emphasis of Matter**

### **Change in Accounting Principle**

As discussed in Notes 1 (F) and IV (G) to the Basic Financial Statements, the District implemented Governmental Accounting Standards Board (GASB) No. 68, *Accounting and Financial Reporting for Pensions*, and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Beginning net position has been restated to reflect the change in accounting principle resulting from these statements. Our opinions are not modified with respect to this matter.

## **Other Matters**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the District's proportionate share of the net pension liability, and schedule of the District's contributions on pages 9 through 14, 61, 62, and 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining nonmajor fund financial statements, other TEA required schedules, the schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

To the Superintendent and the Board of Trustees  
Midland Independent School District

The combining nonmajor fund financial statements, other TEA required schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, other TEA required schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated January 12, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Midland, Texas  
January 12, 2016

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## Midland Independent School District

### **MANAGEMENT'S DISCUSSION AND ANALYSIS UNAUDITED**

In this section of the Annual Financial and Compliance Report, we, the managers of Midland Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2015. Please read it in conjunction with the District's Basic Financial Statements, which follows this section.

#### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (pages 17 through 19). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 20) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how services of the District were sold to departments within the District and how the sales revenues covered the expenses of the services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

The notes to the financial statements (starting on page 33) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

In addition to the financial statements and accompanying notes, this report also presents certain required supplemental information that further explains and supports the information in the financial statements. The required supplemental information can be found immediately on the schedules following the notes to the financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. These are not required by TEA. The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

#### **Reporting the District as a Whole**

##### ***The Statement of Net Position and the Statement of Activities***

The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies. Their primary purpose is to show whether the District is better off or worse off as a result of the year's activities.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the district and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in them. The District's net position (the difference between assets and liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, the District reports two kinds of activity:

- Governmental activities - All of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.
- Component Unit - The District includes the Midland I.S.D. Education Foundation in its report. Although legally separate, the component unit is important because the District is financially accountable for it.

## **Reporting the District's Most Significant Funds**

### ***Fund Financial Statements***

The fund financial statements provide detailed information about the District's most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities), as well as for reporting purposes. The District's two fund types, governmental and proprietary, use different accounting approaches.

- Governmental funds—Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

- Proprietary funds—The District reports the activities for which it charges users (other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities, full accrual. The internal service fund reports activities that provide services for the District's self-insurance program and employee housing fund.

## The District as Trustee

### *Reporting the District's Fiduciary Responsibilities*

The District is the trustee, or fiduciary, for money raised by student activities and alumnae scholarship programs. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As required by GASB 34, the following tables present a comparative summary of the government wide financial statements. We present net position measurements as required by generally accepted accounting principles and have comparative balances and changes therein between both current and prior year data and will discuss any significant changes in the accounts. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental.

Net Position of the District's governmental activities decreased from \$142,465,628 to \$105,240,158. Unrestricted Net Position is the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. Unrestricted Net Position was \$10,370,668. The decrease in Unrestricted Net Position was the result of the implementation of GASB Statement 68. This new requirement mandates the inclusion of the State's unfunded portion to the Teacher Retirement System Pension Liability. Midland ISD's portion is \$29,552,326.

**Table I**  
**Midland Independent School District**

<b>NET POSITION</b>			
	Governmental Activities 2013-2014	Governmental Activities 2014-2015	Difference
Current and Other Assets	\$ 229,096,317	\$ 114,338,418	\$ (114,757,899)
Capital Assets	224,912,935	310,068,729	85,155,794
Deferred Resource Outflows	-	7,094,159	7,094,159
Total Assets Plus Outflows	<u>454,009,252</u>	<u>431,501,306</u>	<u>(22,507,946)</u>
Long-term Liabilities	266,904,390	290,013,570	23,109,180
Other Liabilities	44,639,234	27,207,435	(17,431,799)
Deferred Resource Inflows	-	9,040,143	9,040,143
Total Liabilities Plus Inflows	<u>311,543,624</u>	<u>326,261,148</u>	<u>14,717,524</u>
Net Position:			
Net Investment in Capital Assets	89,182,395	86,379,978	(2,802,417)
Restricted	8,973,757	8,489,512	(484,245)
Unrestricted	<u>44,309,476</u>	<u>10,370,668</u>	<u>(33,938,808)</u>
Total Net Position	<u>\$ 142,465,628</u>	<u>\$ 105,240,158</u>	<u>\$ (37,225,470)</u>

**Table II**  
**Midland Independent School District**  
**CHANGE IN NET POSITION**

	Governmental Activities 2013-2014	Governmental Activities 2014-2015	Difference
<b>Program Revenues:</b>			
Charges for Services	\$ 3,848,281	\$ 4,099,173	\$ 250,892
Grants and Contributions	17,851,855	15,299,534	(2,552,321)
<b>General Revenue:</b>			
Maintenance and Operations Taxes	173,564,289	196,882,016	23,317,727
Debt Service Taxes	14,994,616	18,960,691	3,966,075
State Aid	19,088,926	18,737,043	(351,883)
Other Grants Not Restricted to Specific Functions	8,223,763	7,947,721	(276,042)
Investment Earnings	199,347	210,691	11,344
Miscellaneous	4,575,148	9,382,225	4,807,077
<b>Total Revenues</b>	<b>242,346,225</b>	<b>271,519,094</b>	<b>29,172,869</b>
<b>Expenses:</b>			
Instruction, Curriculum and Media Services	135,596,325	141,847,784	6,251,459
Instructional and School Leadership	14,902,618	16,249,855	1,347,237
Student Support Services	16,929,834	18,076,870	1,147,036
Child Nutrition Services	10,610,144	12,100,041	1,489,897
Cocurricular Activities	4,703,078	4,677,439	(25,639)
General Administration	6,027,092	6,535,471	508,379
Auxiliary Services	26,874,788	30,102,597	3,227,809
Community Services	929,608	799,434	(130,174)
Debt Service	9,279,419	12,509,671	3,230,252
Shared Service Agreements	14,845,720	32,362,495	17,516,775
<b>Total Expenditures</b>	<b>240,698,626</b>	<b>275,261,657</b>	<b>34,563,031</b>
Change in Net Position	1,647,599	(3,742,563)	(5,390,162)
Prior Period Adjustment	(1,420,529)	(33,482,907)	(32,062,378)
Beginning Net Position	142,238,558	142,465,628	227,070
<b>Ending Net Position</b>	<b>\$ 142,465,628</b>	<b>\$ 105,240,158</b>	<b>\$ (37,225,470)</b>

The District's total revenues increased approximately \$29 million. This increase was primarily due to an increase in local property tax collections. The total cost of all programs and services increased by approximately \$34.5 million, mostly because of an increase of \$6 million in instructional related staff to accommodate student growth and teacher salary increases, \$17.5 million from State recapture payments. Please note that the total cost of capital assets must be de-expended from the fund financial statements and depreciated on the government wide financials, using the full accrual method of accounting. Please refer to reconciliations on C-2 and C-4. This adjustment results in periodic fluctuations in total operating costs depending on capital assets procured during a given fiscal year.

## THE DISTRICT'S FUNDS

As the District completed the year, the fund financial statements reported a combined fund balance of \$83.6 million, down \$95 million from 2014 (See Exhibit C-3). The decrease is primarily due to the ongoing construction program from the 2012 bond authorization. The construction funds combined utilized \$91 million in fund balance for 2014-2015. An additional \$1.5 million was a planned use of CNS fund balance to remain compliant with the mandated maximum 3 months operations balance. The remainder was the use of \$600 thousand in the general fund.

Over the course of the year, the Board of Trustees revised the District's budget several times. The Trustees approve these budget amendments as necessary to meet current needs and goals of the District.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets:

At the end of 2015, the District had \$310.1 million (Note D), net of accumulated depreciation, invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents an increase of \$85.2 million, net of accumulated depreciation, from last year.

### Debt:

At year-end, the District had \$256.8 million in bonds and notes outstanding versus \$263.3 million last year (Note E).

Other obligations include accrued vacation pay and sick leave. More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.



## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting tax rates. Such factors are assessed property values, anticipated average daily student attendance and anticipated operating costs to the District. A few considerations are as follows:

- The District in considering the 2015-2016 budget dealt with a reduction in property value growth from 19% to 4%. This substantially changes the funding of future budgets. As a result of the diminishing property value growth the State funding formulas initiate what is termed a lag effect in how the District is funded. This trigger results in a higher local fund assignment that prevents the District from benefitting from the lesser value growth in one year to the next. In 2015-2016 the District cut \$9 million in budgeted expenditures and plans to use \$10 million in fund balance. Future budgets will be developed in consideration of the planned use and any additional cuts will be implanted in 2016-2017 to avoid any additional use of fund balance.
- A positive indication of continued enrollment growth was the addition of 150 students while the District had budgeted for a possible loss of 795 students because of the economic slowdown. Historically, in economic downturns the District experienced enrollment losses of 5 to 10 per cent. This positivity impacts the district in the amount of recapture that was originally estimated at \$52 million to the current estimate of \$48 million.
- Although the oil and gas industry is suffering job losses the overall unemployment rate for Midland continues to remain strong. Albeit not at the previous 2.3% the current unemployment rate of 3.2% continues to remain on the strongest in the State.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office at Midland Independent School District, 615 West Missouri, Midland, Texas 79701.

## **BASIC FINANCIAL STATEMENTS**

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MIDLAND INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
AUGUST 31, 2015

Data Control Codes	1 Primary Government	4 Component Unit
	Governmental Activities	Component Unit
<b>ASSETS</b>		
1110 Cash and Cash Equivalents	\$ 19,177,515	\$ 687,765
1120 Current Investments	81,475,717	5,204,169
1220 Property Taxes Receivable (Delinquent)	4,084,716	-
1230 Allowance for Uncollectible Taxes	(816,943)	-
1240 Due from Other Governments	7,120,638	-
1290 Other Receivables, net	789,790	-
1300 Inventories	1,718,878	-
1411 Prepaid Rent - Fasken	626,631	-
1490 Other Current Assets	161,476	-
Capital Assets:		
1510 Land	9,009,142	-
1520 Buildings, Net	254,554,574	-
1530 Furniture and Equipment, Net	4,957,291	-
1580 Construction in Progress	41,547,722	-
1000 Total Assets	<u>424,407,147</u>	<u>5,891,934</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
1705 Deferred Resource Outflow - Pension	7,094,159	-
1700 Total Deferred Outflows of Resources	<u>7,094,159</u>	<u>-</u>
<b>LIABILITIES</b>		
2110 Accounts Payable	14,682,182	2,260
2140 Interest Payable	479,684	-
2150 Payroll Deductions & Withholdings	1,930,816	-
2160 Accrued Wages Payable	5,640,512	-
2177 Due to Fiduciary Funds	8,721	-
2180 Due to Other Governments	145,087	-
2300 Unearned Revenue	271,356	-
2400 Payable from Restricted Assets	4,049,077	-
Noncurrent Liabilities		
2501 Due Within One Year	8,111,532	-
2502 Due in More Than One Year	252,349,712	-
2540 Net Pension Liability	29,552,326	-
2000 Total Liabilities	<u>317,221,005</u>	<u>2,260</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
2603 Deferred Resource Inflow - Pension	9,040,143	-
2600 Total Deferred Inflows of Resources	<u>9,040,143</u>	<u>-</u>
<b>NET POSITION</b>		
3200 Net Investment in Capital Assets	86,379,978	-
Restricted for:		
3840 Restricted for Food Service	2,903,027	-
3850 Restricted for Debt Service	4,282,175	-
3890 Restricted for Other Purposes	1,304,310	5,889,674
3900 Unrestricted	10,370,668	-
3000 Total Net Position	<u>\$ 105,240,158</u>	<u>\$ 5,889,674</u>

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

MIDLAND INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	1	Program Revenues		
		3	4	5
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
<b>GOVERNMENTAL ACTIVITIES:</b>				
11 Instruction	\$ 131,695,251	\$ 297,478	\$ 10,846,283	\$ -
12 Instructional Resources and Media Services	2,831,949	-	197,709	-
13 Curriculum and Staff Development	7,320,584	-	845,699	-
21 Instructional Leadership	3,918,741	-	880,053	-
23 School Leadership	12,331,114	-	201,127	-
31 Guidance, Counseling and Evaluation Services	7,424,138	-	1,536,041	-
32 Social Work Services	277,634	-	-	-
33 Health Services	2,294,645	-	75,415	-
34 Student (Pupil) Transportation	8,080,453	-	1,875	228,000
35 Food Services	12,100,041	3,422,239	93,375	-
36 Extracurricular Activities	4,677,439	379,456	32,854	-
41 General Administration	6,535,471	-	4,785	-
51 Facilities Maintenance and Operations	23,975,580	-	356,318	-
52 Security and Monitoring Services	1,493,188	-	-	-
53 Data Processing Services	4,633,829	-	-	-
61 Community Services	799,434	-	-	-
72 Debt Service - Interest on Long Term Debt	12,509,671	-	-	-
91 Contracted Instructional Services Between Schools	32,294,988	-	-	-
93 Payments related to Shared Services Arrangements	67,507	-	-	-
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 275,261,657</u>	<u>\$ 4,099,173</u>	<u>\$ 15,071,534</u>	<u>\$ 228,000</u>
<b>Component Unit:</b>				
1C Nonmajor Component Unit	<u>\$ 2,785,807</u>	<u>\$ -</u>	<u>\$ 6,068,935</u>	<u>\$ -</u>
[TC] TOTAL COMPONENT UNITS:	<u>\$ 2,785,807</u>	<u>\$ -</u>	<u>\$ 6,068,935</u>	<u>\$ -</u>

Data Control Codes	General Revenues:
	Taxes:
MT	Property Taxes, Levied for General Purposes
DT	Property Taxes, Levied for Debt Service
GC	Grants and Contributions not Restricted
IE	Investment Earnings
MI	Miscellaneous Local and Intermediate Revenue
TR	Total General Revenues
CN	Change in Net Position
NB	Net Position - Beginning
PA	Prior Period Adjustment
NE	Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position	
6	9
Primary Government Governmental Activities	Component Unit Component Unit
\$ (120,551,490)	\$ -
(2,634,240)	-
(6,474,885)	-
(3,038,688)	-
(12,129,987)	-
(5,888,097)	-
(277,634)	-
(2,219,230)	-
(7,850,578)	-
(8,584,427)	-
(4,265,129)	-
(6,530,686)	-
(23,619,262)	-
(1,493,188)	-
(4,633,829)	-
(799,434)	-
(12,509,671)	-
(32,294,988)	-
(67,507)	-
(255,862,950)	-
-	3,283,128
-	3,283,128
196,882,016	-
18,960,691	-
26,684,764	-
210,691	2,341
9,382,225	-
252,120,387	2,341
(3,742,563)	3,285,469
142,465,628	2,604,205
(33,482,907)	-
\$ 105,240,158	\$ 5,889,674

MIDLAND INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2015

Data Control Codes	10 General Fund	National School Brkfst/Lunch	50 Debt Service Fund
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 13,105,232	\$ 2,864,070	\$ 197,570
1120 Investments - Current	36,470,164	4,162,747	4,027,202
1220 Property Taxes - Delinquent	3,726,486	-	358,230
1230 Allowance for Uncollectible Taxes (Credit)	(745,297)	-	(71,646)
1240 Receivables from Other Governments	-	135,157	-
1260 Due from Other Funds	11,425,989	21,000	-
1290 Other Receivables	789,790	-	-
1300 Inventories	652,802	1,066,076	-
1490 Other Current Assets	161,476	-	-
1000 Total Assets	<u>\$ 65,586,642</u>	<u>\$ 8,249,050</u>	<u>\$ 4,511,356</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	\$ 2,460,233	\$ 291,073	\$ -
2150 Payroll Deductions and Withholdings Payable	1,930,816	-	-
2160 Accrued Wages Payable	5,043,881	244,451	-
2170 Due to Other Funds	2,288,502	4,810,499	-
2180 Due to Other Governments	145,087	-	-
2300 Unearned Revenues	145,298	-	-
2000 Total Liabilities	<u>12,013,817</u>	<u>5,346,023</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2601 Unavailable Revenue - Property Taxes	2,379,421	-	229,181
2600 Total Deferred Inflows of Resources	<u>2,379,421</u>	<u>-</u>	<u>229,181</u>
<b>FUND BALANCES</b>			
Nonspendable Fund Balance:			
3410 Inventories	652,802	1,066,076	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	1,836,951	-
3470 Capital Acquisition and Contractual Obligation	-	-	-
3480 Retirement of Long-Term Debt	-	-	4,282,175
3490 Other Restricted Fund Balance	-	-	-
3600 Unassigned Fund Balance	50,540,602	-	-
3000 Total Fund Balances	<u>51,193,404</u>	<u>2,903,027</u>	<u>4,282,175</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 65,586,642</u>	<u>\$ 8,249,050</u>	<u>\$ 4,511,356</u>

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

60 Capital Projects	Other Funds	Total Governmental Funds
\$ -	\$ 1,282,878	\$ 17,449,750
33,095,873	-	77,755,986
-	-	4,084,716
-	-	(816,943)
-	6,985,481	7,120,638
-	2,194,965	13,641,954
-	-	789,790
-	-	1,718,878
-	-	161,476
<u>\$ 33,095,873</u>	<u>\$ 10,463,324</u>	<u>\$ 121,906,245</u>
\$ 10,379,591	\$ 1,527,171	\$ 14,658,068
-	-	1,930,816
-	352,180	5,640,512
67,470	5,884,038	13,050,509
-	-	145,087
-	126,058	271,356
<u>10,447,061</u>	<u>7,889,447</u>	<u>35,696,348</u>
-	-	2,608,602
-	-	2,608,602
-	-	1,718,878
-	857,983	2,694,934
22,648,812	1,691,017	24,339,829
-	-	4,282,175
-	24,877	24,877
-	-	50,540,602
<u>22,648,812</u>	<u>2,573,877</u>	<u>83,601,295</u>
<u>\$ 33,095,873</u>	<u>\$ 10,463,324</u>	<u>\$ 121,906,245</u>



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MIDLAND INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
AUGUST 31, 2015

<b>Total Fund Balances - Governmental Funds</b>	\$	83,601,295
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.		774,139
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$346,110,273 and the accumulated depreciation was \$121,197,338. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to decrease net position.		(40,961,183)
3 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2015 capital outlays and debt principal payments is to increase net position.		67,691,754
4 The 2015 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(7,847,819)
5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		1,981,972
<b>19 Net Position of Governmental Activities</b>	\$	105,240,158

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

MIDLAND INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	10 General Fund	National School Brkfst/Lunch	50 Debt Service Fund
<b>REVENUES:</b>			
5700 Total Local and Intermediate Sources	\$ 208,260,050	\$ 3,509,260	\$ 19,023,098
5800 State Program Revenues	15,722,481	58,891	-
5900 Federal Program Revenues	3,462,942	6,689,394	-
5020 Total Revenues	<u>227,445,473</u>	<u>10,257,545</u>	<u>19,023,098</u>
<b>EXPENDITURES:</b>			
<b>Current:</b>			
0011 Instruction	117,239,242	-	-
0012 Instructional Resources and Media Services	2,479,590	-	-
0013 Curriculum and Instructional Staff Development	6,360,932	-	-
0021 Instructional Leadership	3,070,539	-	-
0023 School Leadership	12,024,518	-	-
0031 Guidance, Counseling and Evaluation Services	5,972,523	-	-
0032 Social Work Services	269,441	-	-
0033 Health Services	2,213,636	-	-
0034 Student (Pupil) Transportation	7,017,379	-	-
0035 Food Services	-	11,596,548	-
0036 Extracurricular Activities	3,853,071	-	-
0041 General Administration	6,528,178	-	-
0051 Facilities Maintenance and Operations	21,999,078	-	-
0052 Security and Monitoring Services	1,445,067	-	-
0053 Data Processing Services	4,608,488	-	-
0061 Community Services	449,710	-	-
<b>Debt Service:</b>			
0071 Principal on Long Term Debt	-	-	5,246,214
0072 Interest on Long Term Debt	-	-	13,520,438
<b>Capital Outlay:</b>			
0081 Facilities Acquisition and Construction	196,411	-	-
<b>Intergovernmental:</b>			
0091 Contracted Instructional Services Between Schools	32,294,988	-	-
0093 Payments to Fiscal Agent/Member Districts of SSA	67,507	-	-
6030 Total Expenditures	<u>228,090,298</u>	<u>11,596,548</u>	<u>18,766,652</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(644,825)</u>	<u>(1,339,003)</u>	<u>256,446</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
7915 Transfers In	-	-	-
8911 Transfers Out (Use)	-	(225,000)	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>(225,000)</u>	<u>-</u>
1200 Net Change in Fund Balances	(644,825)	(1,564,003)	256,446
0100 Fund Balance - September 1 (Beginning)	<u>51,838,229</u>	<u>4,467,030</u>	<u>4,025,729</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 51,193,404</u>	<u>\$ 2,903,027</u>	<u>\$ 4,282,175</u>

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

60 Capital Projects	Other Funds	Total Governmental Funds
\$ 119,438	\$ 146,891	\$ 231,058,737
-	2,955,671	18,737,043
-	12,308,541	22,460,877
119,438	15,411,103	272,256,657
-	10,828,084	128,067,326
-	197,709	2,677,299
-	982,199	7,343,131
-	880,053	3,950,592
-	201,127	12,225,645
-	1,536,041	7,508,564
-	-	269,441
-	75,415	2,289,051
-	229,875	7,247,254
-	83,055	11,679,603
-	32,854	3,885,925
-	4,785	6,532,963
-	19,249	22,018,327
-	-	1,445,067
-	-	4,608,488
-	356,318	806,028
-	-	5,246,214
-	-	13,520,438
91,634,354	1,840,926	93,671,691
-	-	32,294,988
-	-	67,507
91,634,354	17,267,690	367,355,542
(91,514,916)	(1,856,587)	(95,098,885)
225,000	57,421	282,421
-	(57,421)	(282,421)
225,000	-	-
(91,289,916)	(1,856,587)	(95,098,885)
113,938,728	4,430,464	178,700,180
\$ 22,648,812	\$ 2,573,877	\$ 83,601,295

MIDLAND INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2015

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	(95,098,885)
The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net loss of internal service funds are reported with governmental activities. The net effect of this consolidation is to decrease net position.		(606,327)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2015 capital outlays and debt principal payments is to increase net position.		101,174,661
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(7,847,819)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.		(1,364,193)
<b>Change in Net Position of Governmental Activities</b>	<u>\$</u>	<u>(3,742,563)</u>

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

MIDLAND INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
AUGUST 31, 2015

Data Control Codes		Internal Service Funds	
		Self Insurance Fund	Employee Housing Fund
<b>ASSETS</b>			
Current Assets:			
1110	Cash and Cash Equivalents	\$ 1,698,490	\$ 29,275
1120	Investments - Current	3,719,731	-
1260	Due from Other Funds	-	41,250
1520	Buildings	-	792,741
1521	Depreciation on Buildings	-	(48,045)
1000	Total Assets	5,418,221	815,221
<b>LIABILITIES</b>			
Current Liabilities:			
2110	Accounts Payable	23,875	240
2170	Due to Other Funds	641,416	-
2400	Accrued Expenses	4,049,077	-
2000	Total Liabilities	4,714,368	240
<b>NET POSITION</b>			
3200	Investment in Capital Assets	-	744,695
3300	Unrestricted Net Position	703,853	70,286
3000	Total Net Position	\$ 703,853	\$ 814,981

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

MIDLAND INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes		Internal Service Funds	
		Self Insurance Fund	Employee Housing Fund
	OPERATING REVENUES		
5700	Local and Intermediate Sources	\$ 18,444,990	\$ 122,609
5020	Total Operating Revenues	<u>18,444,990</u>	<u>122,609</u>
	OPERATING EXPENSES:		
6100	Payroll Costs	234,481	-
6200	Contracted Services	21,114	89,912
6300	Supplies and Materials	12,738	-
6400	Other Operating Costs	18,820,203	28,827
	Total Operating Expenses	<u>19,088,536</u>	<u>118,739</u>
	Operating (Loss)/Income	(643,546)	3,870
	NONOPERATING REVENUE (EXPENSES):		
7955	Earnings from Investments	4,521	-
	Change in Net Position	(639,025)	3,870
0100	Total Net Position - September 1 (Beginning)	<u>1,342,878</u>	<u>811,111</u>
3000	Total Net Position - August 31 (Ending)	<u>\$ 703,853</u>	<u>\$ 814,981</u>

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

MIDLAND INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2015

	Internal Service Funds	
	Self Insurance Fund	Employee Housing Fund
Cash Flow from Operating Activities:		
Cash Receipts from Quasi-external Operating Activities with Other Funds	\$ 19,765,679	\$ 119,199
Cash Payments to Suppliers for Goods and Benefits	(19,278,300)	(89,924)
Net Cash From Operating Activities	487,379	29,275
Cash Flows from Investing Activities:		
Interest on Investments	4,521	-
Purchas of Investments	824,645	-
Net Cash From Investing Activites	829,166	-
Net Increase in Cash and Cash Equivelents	1,316,545	29,275
Cash and Cash Equivalents at the Beginning of Year	381,945	-
Cash and Cash Equivalents at the End of the Year	\$ 1,698,490	\$ 29,275
Investments	3,719,731	-
Cash, Cash Equivalents, and Investments at the End of the Year	\$ 5,418,221	\$ 29,275
<u>Reconciliation of Operating Loss/Income to Net Cash</u>		
<u>From Operating Activities:</u>		
Operating (Loss)/Income	\$ (643,546)	\$ 3,870
Adjustments to Reconcile Operating Income (loss) to Net Cash from Operating Activities:		
Depreciation	-	28,827
Effect of Increases and Decreases in Current Assets and Liabilities		
(Increase) Decrease in Due from Other Funds	3,797	(3,410)
Decrease in Receivables	2,389,054	-
Increase (Decrease) in Accounts Payable	20,543	(12)
Decrease in Payable from Restricted Assets	(1,282,469)	-
Net Cash From Operating Activities	\$ 487,379	\$ 29,275

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



MIDLAND INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
AUGUST 31, 2015

Data Control Codes		Private Purpose Trust Funds	Employee Benefits Trust Fund	Student Activity Fund
ASSETS				
1110	Cash and Cash Equivalents	\$ 48,420	\$ 644,030	\$ 957,955
1120	Investments - Current	352,363	456,443	-
1260	Due From Other Funds	-	31,287	-
1290	Other Receivables	-	658,460	-
1000	Total Assets	<u>\$ 400,783</u>	<u>\$ 1,790,220</u>	<u>\$ 957,955</u>
LIABILITIES				
2110	Accounts Payable	\$ -	\$ 1,100,453	\$ -
2170	Due to Other Funds	22,566	-	-
2400	Payable from Restricted Assets	378,217	689,767	-
2420	Due to Student Groups	-	-	954,596
2420	Due to Employees	-	-	3,359
2000	Total Liabilities	<u>\$ 400,783</u>	<u>\$ 1,790,220</u>	<u>\$ 957,955</u>
NET POSITION				
	Unrestricted Net Position	\$ -		
3000	Total Net Position	<u><u>\$ -</u></u>		

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

MIDLAND INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR YEAR ENDED AUGUST 31, 2015

Data Control Codes		Beginning Balance	Additions	Deletions	Ending Balance
<b>PRIVATE PURPOSE TRUST FUNDS</b>					
1110	Cash and Cash Equivalents	\$ 79,458	\$ 1,739	\$ 32,777	\$ 48,420
1120	Investments - Current	352,195	168	-	352,363
1000	Total Assets	<u>\$ 431,653</u>	<u>\$ 1,907</u>	<u>\$ 32,777</u>	<u>\$ 400,783</u>
2170	Due to Other Funds	\$ 22,566	\$ -	\$ -	\$ 22,566
2400	Payable from Restricted Assets	409,087	1,907	32,777	378,217
2000	Total Liabilities	<u>\$ 431,653</u>	<u>\$ 1,907</u>	<u>\$ 32,777</u>	<u>\$ 400,783</u>
<b>EMPLOYEE BENEFITS TRUST FUND</b>					
1110	Cash and Cash Equivalents	\$ 563,285	\$ 81,679	\$ 934	\$ 644,030
1120	Investments - Current	469,548	223	13,328	456,443
1260	Due from Other Funds	31,287	-	-	31,287
1290	Other Receivables	618,749	39,711	-	658,460
1000	Total Assets	<u>\$ 1,682,869</u>	<u>\$ 121,613</u>	<u>\$ 14,262</u>	<u>\$ 1,790,220</u>
2110	Accounts Payable	\$ 1,032,821	\$ 80,960	\$ 13,328	\$ 1,100,453
2400	Payable from Restricted Assets	650,048	40,653	934	689,767
2000	Total Liabilities	<u>\$ 1,682,869</u>	<u>\$ 121,613</u>	<u>\$ 14,262</u>	<u>\$ 1,790,220</u>
<b>STUDENT ACTIVITY FUNDS</b>					
1110	Cash and Cash Equivalents	\$ 1,036,384	\$ 1,311,503	\$ 1,389,932	\$ 957,955
1000	Total Assets	<u>\$ 1,036,384</u>	<u>\$ 1,311,503</u>	<u>\$ 1,389,932</u>	<u>\$ 957,955</u>
2110	Accounts Payable	\$ 12,767	\$ 11,645	\$ 21,053	\$ 3,359
2420	Due to Student Groups	1,023,617	1,299,859	1,368,880	954,596
2000	Total Liabilities	<u>\$ 1,036,384</u>	<u>\$ 1,311,504</u>	<u>\$ 1,389,933</u>	<u>\$ 957,955</u>

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

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## MIDLAND INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2015

#### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Midland Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *AU-C Section 700* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

#### **A. REPORTING ENTITY**

The Board of Trustees (the "Board") is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity." As amended by GASB 39, "Determining Whether Organizations are Component Units" and GASB 61, "The Financial Reporting Entity Omnibus," The Midland I.S.D. Education Foundation is a component unit of the District. The Foundation's purpose is to support teachers and students of the District in the advancement of their educational careers and to provide grants for great ideas to develop creative learning in the classroom. It is discretely presented in a separate column on the government-wide financial statements (Exhibits A-1 and B-1) in order to emphasize that it is legally separate from the District.

#### **B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the District and its component units nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, state foundation funds, grants and other intergovernmental revenues.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the District, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always reported as general revenues.

Interfund activities between governmental funds appear as due to/due froms on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position. All interfund transactions between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Position as internal balances and on the Statement of

Activities as interfund transfers. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the health insurance and worker's compensation insurance internal service funds are District contributions. Operating expenses include claims expense and administrative expenses for administering these insurance funds. All other revenues and expenses not meeting this definition are reported as nonoperating.

### **C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

Measurement focus is the accounting convention which determines which assets and liabilities are included on the balance sheet of a fund type and whether a fund type's operating statement presents "financial flow" or capital maintenance information.

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurements made, regardless of the measurement focus applied.

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

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, deferred inflows of resources, deferred outflows of resources and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable and available financial resources. The District considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept, that is, when they are both measurable and available. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expensed in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Position (Exhibit A-1). The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

#### **D. FUND ACCOUNTING**

The District reports the following major governmental funds:

1. **The General Fund** - is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. **National School Breakfast and Lunch Program Fund**- is used to account for federal reimbursement revenue from the United States Department of Agriculture as well as user fees (meal charges) for the National School Breakfast and Lunch Programs.
3. **The Debt Service Fund** - is used to account for the District's current portion of voter approved debt and the Foundation School Program's facilities allotment for bonded indebtedness.
4. **Capital Projects Fund** – is used to account for the proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions.

Additionally, the District reports the following nonmajor fund types:

Governmental Funds:

1. **Special Revenue Funds** – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in Special Revenue Funds. Most federal and some state financial assistance is accounted for in a Special Revenue Fund, and sometimes, unused balances must be returned to the grantor at the close of specified project periods.
2. **Permanent Funds** – Donations for which the donor has stipulated that the principal may not be expended and where the income may only be used for purposes that support the District's programs. The District has no Permanent Funds.

Proprietary Funds:

3. **Enterprise Funds** – Activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund. The District has no enterprise funds.
4. **Internal Service Funds** – Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in an internal service fund. The District has an Internal Service Fund is for health, dental and workers compensation benefits and another Internal Service Fund for employee housing.

Fiduciary Funds:

5. **Private Purpose Trust Funds** – Donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District's Private Purpose Trust Fund is the scholarship fund.
6. **Employee Benefit Trust Funds** – These funds are used to account for local pension and other employee benefit funds that are provided by the District in lieu of or in addition to the Teacher Retirement System of Texas. The District's Employee Benefit Trust Funds are the matching annuity and section 125 funds.

7. **Investment Trust Fund** - This fund is one in which the District holds assets in trust for other entities participating in an investment program managed by the district. The District has no Investment Trust Funds.
8. **Agency Funds** – The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Fund is the student activity fund.

## E. OTHER ACCOUNTING POLICIES

**Cash and Cash Equivalents** - For purposes of the statement of cash flows for proprietary and similar fund-types, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

**Investments** – Investments are recorded at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

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

**Property Taxes** - Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. 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. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property taxes which are measurable (quantifiable) and available (collectible within the current period or soon enough thereafter to finance expenditures of the current period, which the District has estimated to be collected in the two months after the fiscal year end) are recognized as revenue in the year of levy in the governmental fund financial statements. Property taxes, which are measurable but not available, are recorded net of estimated uncollectible amounts, as deferred inflows of resources in the year of the levy in the governmental fund financial statements. Such deferred inflows of resources are recognized in the fund financial statements as revenue in the fiscal year in which they become available. In the government-wide financial statements, property taxes are recognized as revenues in the year for which the taxes are levied.

Current year tax collections are credited to the appropriate fund as per the tax rate ordinance approved by the Board of Trustees. For the fiscal year ended August 31, 2015, the rates were \$1.04005 for maintenance and \$.10 for debt service respectively, per \$100 of assessed value.

**Delinquent Taxes Receivable** - Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. Over the past four years, the property tax receivable allowance averages to 12 % of the outstanding property taxes at August 31, 2015.

**Long-Term Obligations** - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as debt service expenditures.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Capital Assets** - Capital assets including land, buildings, furniture and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as items with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building Improvements	40
Buses	10
Other Vehicles	5
Office Equipment	5
Computer Equipment	5

**Fund Balances and Net Position -**

**Government-Wide Financial Statements**

Net position on the Statement of Net Position include the following:

Net investment in capital assets -- the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt net of premiums and discounts, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

Restricted for food service - the component of net position that reports the fund balance of the National School Breakfast/Lunch Program.

Restricted for debt service - the component of net position that reports the difference between assets and liabilities with constraints placed on their use by law.

Restricted for other purposes - component of net position that can be spent only for the specific purposes because of constraints imposed by the external providers, or imposed by constitutional provisions or enabling legislation. As of August 31, 2015, the primary government has \$1,304,310 that is restricted for inventory and prepaid items. As of the same date, the component unit has \$5,889,674 this is restricted for student and employee scholarships and employee incentives.

Unrestricted -- the difference between the assets and liabilities that is not reported in any of the classifications above.



## **Governmental Fund Financial Statements**

The District adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions* (GASB 54). The objective of the statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing government fund type definitions. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, under GASB 54 are non-spendable, restricted, committed, assigned, and unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of constraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance.

### **In accordance with GASB 54, the District classifies governmental fund balances as follows:**

Non-spendable -- includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories and prepaid items.

Restricted -- includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts restricted due to constitutional provisions or enabling legislation. This classification includes the National School Breakfast/Lunch Program, retirement of long term debt, construction programs and other federal and state grants.

Committed -- includes fund balance amounts that are constrained for specific purposes that are internally imposed by the District through formal action in an open meeting of the highest level of decision making authority. Committed fund balance is reported pursuant to resolution passed by the District's Board of Trustees. This classification is comprised primarily of funds committed to construction. At August 31, 2015 the District had no committed fund balance classifications.

Assigned -- includes fund balance amounts that are self-imposed by the District to be used for a particular purpose. Fund balance can be assigned by the District's Board, the Superintendent, or the Chief Financial Officer pursuant to the District's fund balance policy. At August 31, 2015 the District had no assigned fund balance classifications.

Unassigned -- includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

When both restricted and unrestricted fund balances are available for use, it is the District's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

**Account Code Reporting** - The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a statewide database for policy development and funding plans.

**Accounting Estimates** - In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets

and liabilities and the reported amounts of revenues and expenditures. Actual results could differ from those reported.

The amount of state foundation school revenue a school district earns for a year, can and does vary until the time when final PEIMS submissions have been factored into the formula. Availability can be as late as midway into the next fiscal year. It is at least reasonably possible that there could be a minimal change to foundation revenue as calculated at August 31, 2015.

## F. PRIOR PERIOD ADJUSTMENT

### Change in Accounting Principle

In accordance with GASB 68, Accounting and Financial Reporting for Pensions and as amended by GASB 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, local governments participating in defined benefit pensions are required to recognize their portion of the present value of the projected benefit payments to be provided through the pension plan. The District has retroactively implemented this change, which resulted in a restatement of beginning net position as of August 31, 2014, the effect of which was a decrease of \$33,482,907.

Below is the effect of the prior period restatement as of August 31, 2014:

Governmental activities:

Net Position, beginning, as originally reported	\$	142,465,628
Change in accounting principle		<u>(33,482,907)</u>
Net Position, beginning, as restated	\$	<u><u>108,982,721</u></u>

## II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

### A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

Capital Assets	Historical Costs	Accumulated Depreciation	Net Value at the Beginning of Year	Change in Net Position
Land	\$ 9,006,509	\$ -----	\$ 9,006,509	
Buildings & Improvements	266,007,004	(98,875,926)	167,131,078	
Construction in Progress	42,615,092	-----	42,615,092	
Furniture & Equipment	28,481,668	(22,321,412)	6,160,256	
<b>Other Assets</b>	<b>Beginning Balances</b>			
Prepaid Rent	1,253,261			
Net Change in Assets				\$ 226,166,196
<b>Long-term Liabilities</b>	<b>Beginning Balances</b>			
Bonds Payable (net of accretion and amortized premium)	(263,298,300)			
Other Payables	(3,829,079)			
Net Change in Liabilities				(267,127,379)
<b>Total Adjustment to Net Position</b>				<b>\$ (40,961,183)</b>

Another element of the reconciliation on Exhibit C-2 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

Reclassifications:	Amount
Adjustments to Taxes - General Levy	\$ 2,379,421
Adjustments to Taxes - Debt Service Levy	229,181
Adjustments to Expense – Prepaid Rent	(626,630)
<b>Total Adjustments to Net Position</b>	<b>\$ 1,981,972</b>
Remove Prior year Tax Levy Adjustments	\$ (3,346,165)
<b>Total Adjustments to Change in Net Position</b>	<b>\$ (1,364,193)</b>

**B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**

Exhibit C-4 provides reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net position balance and the change in net position. The details of this adjustment are as follows:

<b>Capital Outlays &amp; Long-Term Debt:</b>	<b>Amount</b>
Additions - Land	\$ 2,633
Additions - Buildings & Improvements	93,614,902
Additions – Construction in Progress	91,634,854
Deletions – Construction in Progress	(92,702,224)
Additions - Furniture & Equipment	453,448
Compensated Absence – Addition	(70,530)
Retirements on Bonds and Bond Discounts/Premiums	6,513,676
Capitalized Interest	(256,695)
Net effect of TRS Pension Liability	1,984,597
<b>Decrease to Change in Net Position for Capital Outlay and Long-Term Debt (C-4)</b>	<b>\$ 101,174,661</b>
Prior Period Adjustment for TRS Pension Liability	(33,482,907)
<b>Increase to Net position for Capital Outlay and Long-Term Debt</b>	<b>\$ 67,691,754</b>

**III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**BUDGETARY DATA**

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the National School Breakfast/Lunch Program. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 and the other two reports are in Exhibit J-4 and J-5.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.

3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

#### **IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

##### **A. DEPOSITS AND INVESTMENTS**

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with its agent bank, approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

At February 10, 2015, the District's combined deposits were not fully insured by federal depository insurance or collateralized with securities pledged to the District and held in the district's name by the district's agent. The amount not fully insured was \$2,885,396. However, as of August 31, 2015 all deficiencies were resolved. In addition, the following is disclosed regarding coverage of combined balances on the date of the highest deposit:

1. Name of bank: Wells Fargo Bank
2. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$68,093,981 and occurred on February 10, 2015.
3. Largest combined collected cash account balance required to be collateralized amounted to \$71,229,376 and occurred on February 10, 2015.
4. The total amount of FDIC coverage at the time of the largest combined balance was \$250,000 at February 10, 2015.

##### **Legal and Contractual Provisions Governing Deposits and Investments**

The Public Funds Investment Act (Governments Code Chapter 2256) contains specific provisions in the area of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the district to adopt, implement and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable expenditures, (4) acceptable risk levels, (5) expected rate of return, (6) maximum allowable stated maturity, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds.

The Act also requires the District to have independent auditors perform testing procedures related to investment practices as provided by the Act. The district is in substantial compliance with the requirements of the Act and with local policies.

##### **Policies Governing Deposits and Investments**

In compliance with the Public Fund Investment Act, the District has adopted a deposit and investment policy that allows investments with the following risks:

a. Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the government’s deposit may not be returned. The District’s policy regarding types of deposits allowed and collateral requirements is as follows. The depository bank is required by contract to collateralize all deposits as described by the Public Funds Investment Act with, (1) the market value of pledged securities, (2) a corporate surety bond or (3) FDIC Insurance. The District’s depository is required to collateralize deposits by a value equal to at least 110% of the ledger balance up to a maximum of fifteen million dollars. All deposits were fully collateralized for the 2015-2015 fiscal year.

b. Custodial Credit Risk – Investments: For an investment, this is the risk that in the event of the failure of the custodial institution, the District would not be able to recover the value of its investments or collateral securities that are in the possession of the custodian.

### Investment in State Investment Pools

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

The State Comptroller of Public Accounts exercises responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both Participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool operates in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool Shares.

Lone Star Investment Pool is governed by an 11-member board and is a AAA rated investment program tailored to the investment needs of local governments within the state of Texas. Lone Star Investment Pool assists governments across Texas make the most of taxpayer dollars. Local officials can improve the return on their invested balances by pooling their money with other entities to achieve economies of scale in a conservative fund in full compliance with the Texas Public Funds Investment Act.

Texas CLASS is a local government investment pool emphasizing safety, liquidity, convenience and competitive yield. Since 1996, Texas CLASS has provided Texas public entities a safe and competitive investment alternative. Texas CLASS invests only in securities allowed by the Texas Public Funds Investment Act. Texas CLASS carries a letter of credit that ensures the integrity of the fund, making it the only investment pool in Texas backed by a letter of credit. The pool is governed by a board of trustees, elected annually by its participants. Texas CLASS is rated 'AAAm' by Standard and Poor's Ratings Services. The 'AAAm' principal stability fund rating is the highest assigned to principal stability government investment pools and is a direct reflection of Texas CLASS's outstanding credit quality and management.

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

The cash and investments held at August 31, 2015 are as follows:

	Fair Value	Rating	WAM (1)	WAM (2)
Cash and Imprest Funds	\$ 21,515,685	Aa3 per Moody's	N/A	N/A
Texpool	11,591,572	AAAm per Standard and Poors	40 Days	80 Days
Texpool Prime	23,428,676	AAAm per Standard and Poors	32 Days	50 Days
Lone Star/First Public	36,794,224	AAAm per Standard and Poors	39 Days	44 Days
Texas Class	11,659,922	AAAm per Standard and Poors	53 Days	n/a
Texas Term- TexasDAILY	<u>4,014,298</u>	AAAm per Standard and Poors	n/a	n/a
	\$ <u>109,004,377</u>			

**WAM (Weighted Average Maturity)**

(1) This weighted average maturity calculation uses the SEC Rule 2A-7 definition for stated maturity for any floating rate instrument held in the portfolio to determine the weighted average maturity for the pool. This rule specifies that a variable rate instrument to be paid in 397 calendar days or less shall be deemed to have a maturity equal to the period remaining until the next readjustment of the interest rate.

(2) This weighted average maturity calculation uses the final maturity of any floating rate instruments held in the portfolio to calculate the weighted average maturity for the pool.

Cash and investments as of August 31, 2015 are classified in the accompanying financial statements as follows:

Governmental funds	\$ 95,205,736
Proprietary funds	5,447,496
Fiduciary funds	2,459,211
Component Unit	<u>5,891,934</u>
	\$ <u>109,004,377</u>

**B. CONCENTRATION OF CREDIT RISK**

The investment policy of the District does not require the investment portfolios to be diversified in terms of investment instruments, maturity scheduling, and financial institutions in order to reduce the risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturities, or specified issues.

### C. INTERFUND RECEIVABLES AND PAYABLES

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

Interfund balances at August 31, 2015, resulting from payroll and accumulated fund charges, consisted of the following individual fund balances:

	General Fund	Special Revenue	Capital Projects	Internal Service	Trust & Agency	Total
Due From General Fund	\$ -	\$ 127,577	\$2,088,388	\$ 41,250	\$ 31,287	\$2,288,502
Due From Special Revenue Funds	10,694,537	-	-	-	-	10,694,537
Due From Debt Service Funds	-	-	-	-	-	-
Due From Capital Projects Fund	67,470	-	-	-	-	67,470
Due From Enterprise Funds	-	-	-	-	-	-
Due From Internal Service Funds	641,416	-	-	-	-	641,416
Due From Trust & Agency Funds	22,566	-	-	-	-	22,566
<b>Total Due From</b>	<b>\$ 11,425,989</b>	<b>\$ 127,577</b>	<b>\$2,088,388</b>	<b>\$ 41,250</b>	<b>\$ 31,287</b>	<b>\$13,714,491</b>
Due To General Fund	\$ -	\$10,694,537	\$ 67,470	\$ 641,416	\$ 22,566	\$11,425,989
Due To Special Revenue Funds	127,577	-	-	-	-	127,577
Due To Debt Service Fund	-	-	-	-	-	-
Due To Enterprise Funds	-	-	-	-	-	-
Due To Capital Projects Fund	2,088,388	-	-	-	-	2,088,388
Due To Internal Service Funds	41,250	-	-	-	-	41,250
Due To Trust & Agency Funds	31,287	-	-	-	-	31,287
<b>Total Due To</b>	<b>\$ 2,288,502</b>	<b>\$10,694,537</b>	<b>\$ 67,470</b>	<b>\$ 641,416</b>	<b>\$ 22,566</b>	<b>\$13,714,491</b>

The \$2,088,388 of due from general fund to the capital projects funds is reflected on Exhibit H-1, page 63 and is not included in the Capital Projects column on Exhibit C-1, page 19. The \$67,470 of due to general fund is reflected on Exhibit C-1, page 19 in the Capital Projects Fund column.

Interfund transfers for the year ended August 31, 2015 consisted of the following amounts:

<b>Transfers Out</b>	<b>Totals</b>
Special Revenue Fund	
National School Brkfst/Lunch Program	\$ 225,000
Sub Total – Special Revenue Fund	225,000
Capital Projects Fund	
Technology Infrastructure	\$ 57,421
Sub Total – Capital Projects Fund	57,421
<b>Total - Transfers Out</b>	<b>\$ 282,421</b>
<b>Transfers In</b>	<b>Totals</b>
Capital Projects	
Construction Project	\$ 225,000
West Renovation Project	57,421
Sub Total – Capital Projects	\$ 282,421
<b>Total - Transfers In</b>	<b>\$ 282,421</b>



#### D. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended August 31, 2015, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
<b>Governmental Activities:</b>				
Land	\$ 9,006,509	\$ 2,633	\$ -	\$ 9,009,142
Buildings and Improvements	265,214,263	93,614,902	-	358,829,165
Construction in Progress	42,615,092	91,634,854	(92,702,224 )	41,547,722
Furniture and Equipment	28,481,668	453,448	-	28,935,116
Total at Historic Cost	345,317,532	185,705,837	(92,702,224 )	438,321,145
<b>Less Accumulated Depreciation:</b>				
Buildings and Improvements	(98,856,708)	(6,162,579)	-	(105,019,287)
Furniture and Equipment	(22,321,412)	(1,656,413)	-	(23,977,825)
Total Accum. Depr.	(121,178,120)	(7,818,992)	-	(128,997,112)
<b>Total Governmental Activities Capital Assets, net of depreciation</b>	<b>224,139,412</b>	<b>177,886,845</b>	<b>(92,702,224 )</b>	<b>309,324,033</b>
<b>Internal Service Funds:</b>				
Buildings and Improvements	792,741	-	-	792,741
Less Accumulated Depreciation	(19,218)	(28,827)	-	(48,045)
<b>Total Internal Service Fund Capital Assets, net of depreciation</b>	<b>773,523</b>	<b>(28,827)</b>	<b>-</b>	<b>744,696</b>
<b>Total Capital Assets, net of depreciation</b>	<b>\$ 224,912,935</b>	<b>\$ 177,858,018</b>	<b>\$ (92,702,224 )</b>	<b>\$ 310,068,729</b>

Land Improvements and certain Furniture and Fixtures which had previously been classified in those categories are better reflected as additions to Building and Improvements. The reclassification is a result of management's decision to more accurately classify assets in the appropriate asset class. It was not necessary to make changes to the estimated lives of the Land Improvements or Furniture and Fixtures as they were accurately being depreciated based on the appropriate useful life for those assets.

Depreciation expense was charged to governmental functions as follows:	Amount
Instruction	\$ 4,533,544
Instructional Resources and Media Services	165,111
Curriculum and Instructional Staff Development	19,762
Instructional Leadership	5,930
School Leadership	193,247
Guidance, Counseling and Evaluation Services	8,780
Social Work Services	9,995
Health Services	18,570
Student (Pupil) Transportation	717,193
Food Services	354,349
Extracurricular Activities	796,764
General Administration	22,834
Plant Maintenance and Operations	912,869
Security and Monitoring Service	49,218
Data Processing Services	39,653
<b>Total Adjustment to Net Position (See C-2 and C-4)</b>	<b>\$ (7,847,819)</b>

**E. BONDS PAYABLE**

Bonded indebtedness of the District is reflected in the bond liability. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund.

Outstanding Bonded Debt as of August 31, 2015 is as follows:

<u>Issue</u>	<u>Description</u>	<u>Interest Rate</u>	<u>Matures</u>	<u>Debt Outstanding</u>
\$ 14,014,995	Series 2006 Unl Tax Bldg Bds	4.0 – 4.5%	2020	\$ 7,045,000
\$ 37,035,000	Series 2007 Unl Tax Bldg Bds	4.375 – 4.75.0%	2032	33,960,000
\$ 4,634,990	Series 2009 Unl Tax Bldg Bds	1.30%	2020	635,000
\$ 26,500,000	Series 2011 Unl Tax Bldg Bds	1.75 – 5.0%	2028	22,570,000
\$ 22,835,000	Series 2012 Unl Tax Bldg Bds	3.0 – 5.0%	2028	22,835,000
\$ 70,175,000	Series 2013 Unl Tax Bldg Bds	3.0 – 5.0%	2028	62,400,000
\$ 85,235,000	Series 2015 Unl Tax Bldg Bds	5.0%	2028	85,235,000
	Total Bonded Debt			<u>234,680,000</u>
	Plus: Unamortized Premium on Refundings			<u>22,104,624</u>
	Total Bonded Debt Long Term			<u><u>\$ 256,784,624</u></u>

A summary of long term debt transactions as of August 31, 2015 is as follows:

	Balance at <u>9/1/2014</u>	<u>Additions</u>	<u>Retirements</u>	Balance at <u>8/31/2015</u>	Due Within <u>One Year</u>
General Obligation Bonds	\$ 239,926,215	\$ -	\$ (5,246,214)	\$ 234,680,000	\$ 6,675,000
Unamortized Issuance					
Discounts/Premiums	23,372,085	-	(1,267,462)	22,104,624	1,137,190
Total Bonds Payable	<u>\$ 263,298,300</u>	<u>\$ -</u>	<u>\$ (6,513,676)</u>	<u>\$ 256,784,624</u>	<u>\$ 7,812,190</u>

Debt service requirements are as follows:

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$7,812,190	\$10,981,479	\$18,793,669
2017	\$8,037,190	\$10,762,474	\$18,799,664
2018	\$8,282,190	\$10,513,112	\$18,795,302
2019	\$8,572,190	\$10,225,594	\$18,797,784
2020	\$8,907,370	\$9,895,156	\$18,802,526
2021-2025	\$48,737,746	\$43,697,348	\$92,435,094
2026-2030	\$56,053,464	\$32,422,462	\$88,475,926
2031-2035	\$57,010,177	\$19,172,500	\$76,182,677
2036-2040	\$53,372,107	\$5,641,375	\$59,013,482
<b>Total</b>	<b>\$ 256,784,624</b>	<b>\$153,311,500</b>	<b>\$ 410,096,124</b>

Bonded indebtedness of the District is reflected in the bond liability, and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. The School District’s legal debt service margin is \$.50 per \$100 assessed value, which calculates to approximately \$81,000,000.

On January 29, 2014 Midland Independent School District issued \$85,235,000 of Unlimited Tax School Building Series 2015, approved by voters on November 6, 2012, (1) for construction, improvements, renovations and to equip school buildings, and (2) to pay costs associated with the issuance of the bonds. The 2015 Series had a net re-offering premium

of \$8,696,811 and issuance costs of \$821,812. The Series 2015 issuance completes the authorization approved by the November 6, 2012 election. The bonds are payable from a continuing direct annual ad valorem tax levied by the District, without limits as to the rate or amount, on all taxable property within the District.

On March 19, 2013 Midland Independent School District issued \$70,175,000 of Unlimited Tax School Building and Refunding Bonds, Series 2013, approved by voters on November 6, 2012, (1) for construction, improvements, renovations and to equip school buildings, (2) to retire a portion of the 2003 Series, Unlimited Tax School Building and Refunding Bonds, and (3) to pay costs associated with the issuance of the bonds. The 2013 Series had a net reoffering premium of \$7,608,462 and issuance costs of \$689,231. The district used \$4 million of I&S fund balance in addition to the refunding to retire the full remaining balance amount of the 2003 Series. The extinguishment of these bonds qualifies as an in-substance defeasance of debt; therefore the entire amount is removed from the bond liability. The purpose of the refunding was to lower the overall debt service requirements of the District. The refunding decreased outstanding principal by \$6,985,000 and resulted in an economic gain of approximately \$1,904,563.

On September 23, 2011 the Midland Independent School District issued \$26,500,000 in Unlimited Tax Refunding Bonds 2011 to retire \$920,000 of Variable Unlimited Tax School Building Bonds Series 1997, and \$26,650,000 Unlimited Tax School Building and Refunding Bonds Series 2003. The 1997 Refunded Bonds were redeemed on November 1, 2011 and the Series 2003 refunded Bonds will be redeemed on February 15, 2013. The refunding had a net reoffering premium of \$3,341,428 an issuance cost of \$322,724. The investment will be adequate to retire the full amount of refunded bonds, which had a total book value of \$27,570,000. The extinguishment of these bonds qualifies as an in-substance defeasance of debt; therefore the entire amount is removed from the bond liability. The purpose of the refunding was to lower the overall service requirements of the District. The refunding decreased outstanding principal or total debt by approximately \$1,070,000 and resulted in an economic gain net present value savings of \$2,477,402.

On May 8, 2012 the Midland Independent School District issued \$22, 835,000 in Unlimited Tax Refunding Bonds 2012 to retire \$24,665,000 of Unlimited Tax School Building Bonds Series 2004. The Series 2004 Bonds will be redeemed on February 15, 2015. The refunding had a net reoffering premium of \$4,058,798 and a transfer of \$414,670 from Prior Issue Debt Service Funds and an issuance cost of \$299,298. The investment will be adequate to retire the full amount of refunded bonds, which had a total book value of \$24,665,000. The extinguishment of these bonds qualifies as an in-substance defeasance of debt; therefore the entire amount is removed from the bond liability. The purpose of the refunding was to lower the overall service requirements of the District. The refunding decreased outstanding principal or total debt by approximately \$1,830,000 and resulted in an economic gain total net present value savings of \$3,042,296.

On May 1, 2009, the Midland Independent School District issued \$4,634,990 in unlimited tax refunding bonds to retire a portion of outstanding debt on that date (Series 1997A and Series 1998). The proceeds were also used to pay for issuance costs of \$106,277. The proceeds were deposited directly into an escrow trust account and invested in obligations of the United States Government with maturities that coincide with principal and interest due dates. The investment will be adequate to retire the full amount of refunded bonds, which had a total book value of \$4,635,000. The extinguishment of these bonds qualifies as an in-substance defeasance of debt; therefore the entire amount is removed from the bond liability. The purpose of the refunding was to lower the overall service requirements of the District. The refunding decreased total debt service by approximately \$222,200 and resulted in an economic gain of \$172,162.

On July 10, 2007, Midland Independent School District issued \$37,035,000 of unlimited tax school building bonds, approved by voters on May 12, 2007, to be used for the construction, acquisition and equipping of school buildings in the District (including rehabilitation, renovation, expansion and improvement thereof) and to pay \$165,000 in issuance costs. The bonds are payable from a continuing direct annual ad valorem tax levied by the District, without limits as to the rate or amount, on all taxable property within the District.

On June 20, 2006, the Midland Independent School District issued \$14,014,995 of bonds in order to retire a portion of the 1998 series bonded debt outstanding on that date. The proceeds of the bonds were also used to pay issuance costs and underwriter discounts of approximately \$92,000. The refunded bond proceeds were deposited into an escrow trust account and invested in direct obligations of the Government of the United States with maturities which coincide with the interest and principal due dates of the refunded bonds. The investment income will be adequate to retire future interest and principal payments of the refunded bonds, which had a book value of \$14,015,000 at the date of refunding. The extinguishment of these bonds qualifies as an in-substance defeasance of debt; therefore, the \$14,015,000 in refunded bonds has been removed from the bond liability. The purpose of the refunding was to lower the overall debt service requirements of the District. This refunding decreased total debt service by approximately \$320,000 and resulted in an economic gain of approximately \$22,000.

On July 20, 2004, the School District issued the remaining \$25,285,000 of bonds approved under the February, 2003 bond authorization. The bonds were issued for construction and renovation of secondary campuses. The proceeds were also

used to fund issuance costs of \$359,244. The bonds are payable from a continuing direct annual ad valorem tax levied by the District.

Capital Appreciation Bonds with an original issue amount of \$6,084,433 are included in the above maturities. These reflect the total amount of accreted interest to be paid on those bonds maturing in the respective years, and do not include interest accruing but not paid in years prior to maturity. The accreted value of the capital appreciation bonds at August 31, 2002 was \$8,802,507. The value of the Capital Appreciation Bonds at maturity is \$10,225,000.

There are a number of limitations and restrictions contained in the general obligation bond indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions as of August 31, 2015.

In prior years, the District issued refunding bonds for the purpose of restructuring outstanding debt service requirements or decreasing the total debt service payments. These refunding issues defeased selected general obligation and maintenance bonds. The total principal outstanding of the insubstance defeased debt as of August 31, 2015 is \$ -0-.

## **F. ACCUMULATED UNPAID SICK LEAVE BENEFITS**

The District has adopted a policy to reimburse, upon retirement of employees, who have a minimum of ten years experience with the District, accrued sick leave up to 30 days. Any sick leave in excess of the 30-day accumulation is budgeted and paid within the current period. At August 31, 2015, the District's liability for unused sick leave is \$3,676,620.

## **G. DEFINED BENEFIT PENSION PLAN**

**Plan Description** - The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

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

**Benefits Provided** - TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 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.

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

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015 as discussed in Note 1 of the TRS 2014 CAFR. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015.

	Contribution Rates	
	2014	2015
Member	6.4%	6.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%

Employer #0901	2015
Employer Contributions	\$ 2,804,922
Member Contributions	2,608,422
NECE on-behalf Contributions	6,455,368

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

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

In addition to the employer contributions listed above, 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.

**Actuarial Assumptions** - The total pension liability in the August 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date August 31, 2014  
 Actuarial Cost Method Individual Entry Age Normal  
 Amortization Method Level Percentage of Payroll, Open  
 Remaining Amortization Period 30 years  
 Asset Valuation Method 5 year Market Value  
 Discount Rate 8.00% Long-term expected Investment Rate of Return\* 8.00%  
 Salary Increases\* 4.25% to 7.25%  
 Weighted-Average at Valuation Date 5.55%  
 Payroll Growth Rate 3.50%

*\*Includes Inflation of 3%*

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2010 and adopted on April 8, 2011. With the exception of the post-retirement mortality rates for healthy lives and a minor change to the expected retirement age for inactive vested members stemming from the actuarial audit performed in the Summer of 2014, the assumptions and methods are the same as used in the prior valuation. When the mortality assumptions were adopted in 2011 they contained a significant margin for possible future mortality improvement. As of the date of the valuation there has been a significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rates for current and future retirees was decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards of Practice No. 35.

**Discount Rate** - The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2014 are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return
<b>Global Equity</b>			
U.S.	18%	7.0%	1.4%
Non-U.S. Developed	13%	7.3%	1.1%
Emerging Markets	9%	8.1%	0.9%
Directional Hedge Funds	4%	5.4%	0.2%
Private Equity	13%	9.2%	1.4%
<b>Global Equity</b>			
U.S. Treasuries	11%	2.9%	0.3%
Absolute Return	0%	4.0%	0.0%
Stable Value Hedge Funds	4%	5.2%	0.2%
Cash	1%	2.0%	0.0%

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return
<b>Real Return</b>			
Global Inflation Linked Bonds	3%	3.1%	0.0%
Real Assets	16%	7.3%	1.5%
Energy and Natural Resources	3%	8.8%	0.3%
Commodities	0%	3.4%	0.0%
<b>Risk Parity</b>			
Risk Parity	5%	8.9%	0.4%
Alpha			1.0%
	<u>100%</u>		<u>8.7%</u>

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

**Discount Rate Sensitivity Analysis.** The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2014 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of the net pension liability	\$ 52,808,214	\$ 29,552,326	\$ 12,161,253

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension -.** At August 31, 2014, the District reported a liability of \$29,552,326 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate share of the collective net pension liability	\$ 29,552,326
State's proportionate share that is associated with the District	<u>64,819,676</u>
Total	<u>\$ 94,372,002</u>

The net pension liability was measured as of August 31, 2014 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, 2013 thru August 31, 2014.

At August 31, 2014 the employer's proportion of the collective net pension liability was .110613% which was a decrease from .110712% from its proportion measured as of August 31, 2013. The change in proportion was immaterial and therefore disregarded this year.

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

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

There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the employer's reporting date. A 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective 09/01/2013. The amount of the expected resultant change in the employer's proportion cannot be determined at this time.

For the year ended August 31, 2014, the District recognized pension expense of \$6,455,368 and revenue of \$6,455,368 for support provided by the State.

At August 31, 2014, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 457,036	\$ -
Changes in actuarial assumptions	1,920,934	
Difference between projected and actual investment earnings	-	9,040,143
Changes in proportion and difference between the employers contributions and the proportionate share of contributions	-	-
Contribution paid to TRS subsequent to the measurement date	<u>4,716,189</u>	<u>-</u>
	\$ <u>7,094,159</u>	\$ <u>9,040,143</u>

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

<u>Year ended August 31:</u>	<u>Pension Expense Amount</u>
2016	\$ 2,857,946
2017	(1,858,243)
2018	(1,858,243)
2019	(1,858,243)
2020	399,856
Thereafter	370,943

## H. HEALTH CARE COVERAGE

The District sponsors a modified self-insurance plan to provide health care benefits to staff members and their dependents. Transactions related to the plan are accounted for in the Health Insurance Fund (the "Fund"), an internal service fund of the District. Partial staff member contributions are required for personal coverage and total staff member contributions are required for coverage of dependents. The District obtained excess loss insurance, which limited annual claims paid from the Fund for the year ended August 31, 2015, to \$150,000 for any individual participant and an aggregate limit equal to \$1,000,000. Estimates of claims payable and of claims incurred, but not reported at August 31, 2015, are reflected as accounts and claims payable of the Fund. The plan is funded to discharge liabilities of the Fund as they become due. The District does not provide any post-retirement health benefits to its employees.



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

	<b>Year Ended August 31, 2015</b>
Unpaid claims, beginning of the year	\$ 3,284,709
Incurred claims/changes in estimates (including IBNR'S)	11,834,130
Claim Payments	<u>(12,643,449)</u>
Unpaid claims, end of fiscal year	<u>\$ 2,475,390</u>

#### I. CHANGES IN NONCURRENT LIABILITIES

Long-term activity for the year ended August 31, 2015, was as follows:

	<b>Beginning Balance</b>	<b>“ Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
Governmental Activities:				
Bonds and Notes Payable	\$ 6,513,679	\$ 1,298,511	\$ -----	\$ 7,812,190
Compensated Absences	311,357	-----	(12,015)	299,342
<b>Total Noncurrent Liabilities Due Within One Year</b>	<b>\$ 6,825,036</b>	<b>\$ 1,298,511</b>	<b>\$ (12,015)</b>	<b>\$ 8,111,532</b>
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
Governmental Activities:				
Bonds and Notes Payable	\$ 256,784,621	\$ -----	\$ (7,812,187)	\$ 248,972,434
Compensated Absences	3,294,733	82,545	-----	3,377,278
<b>Total Noncurrent Liabilities Due In More Than One Year</b>	<b>\$ 260,079,354</b>	<b>\$ 82,545</b>	<b>\$ ( 7,812,187)</b>	<b>\$ 252,349,712</b>
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
Governmental Activities:				
Bonds and Notes Payable	\$ 263,298,300	\$ 1,298,511	\$ (7,812,187)	\$ 256,784,624
Compensated Absences	3,606,090	82,545	(12,015)	3,676,620
<b>Total Noncurrent Liabilities</b>	<b>\$ 266,904,390</b>	<b>\$ 1,381,056</b>	<b>\$ (7,824,202)</b>	<b>\$ 260,461,244</b>

#### J. OPERATING LEASES

The District leases copiers and other equipment under noncancelable 4 year operating leases. Total costs for such leases were \$312,101 for the year ended August 31, 2015. Effective September 1, 2013, the District entered into a new noncancelable 4-year operating lease. The future minimum lease payments for these leases are as follows:

Year Ending August 31,	
2016	\$ 312,101
2017	274,089
	<hr/>
Total	<u>\$ 586,190</u>

## K. UNEARNED REVENUE/DEFERRED REVENUE

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned (unearned revenues).

As of August 31, 2015 the various components of unearned revenue and deferred inflows of resources reported in the governmental funds were as follows:

	General Fund	Special Revenue Funds	Debt Service Funds	Total
Athletics	\$ 60,830	\$ -----	\$ -----	\$ 60,830
Project Graduation	600	-----	-----	600
Activity Funds Receipts	79,328	-----	-----	79,328
Accelerated Reading Program	-----	724	-----	724
Advanced Placement	-----	52,588	-----	52,588
Buddy Davidson Foundation	-----	1,537	-----	1,537
Read to Succeed	-----	52	-----	52
Education Foundation Grants	-----	39,818	-----	39,818
Meadows Foundation	-----	20,000	-----	20,000
Wellness Grant	-----	11,339	-----	11,339
Miscellaneous	4,540	-----	-----	5,140
<b>Total Unearned Revenue</b>	<b>\$ 145,298</b>	<b>\$ 126,058</b>	-----	<b>\$ 271,356</b>
Unavailable Revenue – Property Taxes	2,379,421	-----	229,181	2,608,602
<b>Total Deferred Inflows of Resources</b>	<b>\$ 2,524,719</b>	<b>\$ -----</b>	<b>\$ 229,181</b>	<b>\$ 2,879,958</b>

## L. RECEIVABLES FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2015, are summarized below. All federal grants shown below are passed through the TEA and are reported on the basic financial statements as Due from Other Governments.

Description	Amount
Food Service	\$ 135,157
Summer Feeding Program	12,490
ESEA Title I, Part A – Improving Basic Program	792,105
IDEA-Part B, Formula	347,892
IDEA-Part B, Preschool	2,374
Carl Perkins - Basic Formula	14,711
ESEA Title II, Part A – Training & Recruiting	697,072
Title III, Part A - English Language Acquisition	20,671
Title I, School Improvement	24,439
State Textbook Fund	5,073,727
<b>Total</b>	<b>\$7,120,638</b>

**M. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES**

During the current year, revenues from local and intermediate sources consisted of the following:

	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total
Property Taxes	\$ 198,161,199	\$ -	\$19,017,558	\$ -	\$217,178,757
Penalties, Interest and Other Tax-related Inc.	1,891,919				1,891,919
Investment Income	77,314	3,879	5,540	119,438	206,171
Food Sales	-	3,422,240	-	-	3,422,240
Co-Curricular/Extra-curricular Student Act.	1,677,214	-	-	-	1,677,214
Other	6,452,404	230,032	-	-	6,682,436
Total	\$ 208,260,050	\$3,656,151	\$19,023,098	\$119,438	\$231,058,737

**N. CONTINGENT LIABILITIES**

The District participates in numerous federally funded programs, on both a direct and state pass-through basis, as well as on a service-provider basis. In connection with these grants, the District is required to comply with specific terms and agreements, as well as applicable federal and state laws and regulations. Such compliance is subject to review and audit by the grantors and their representatives, including audits under the “Single Audit” concept and compliance examinations which build upon such audits.

In the opinion of management, the District has materially complied with all requirements. However, since such programs are subject to future audit or review, the possibility of disallowed expenditures exists. In the event of such disallowance of claimed expenditures, the District does not expect the resulting liability to have a material adverse effect on its basic financial statements at August 31, 2015.

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not determinable presently, in the opinion of the District’s counsel, the resolution of these matters will not have a material adverse effect on the financial statements of the District.

**O. CONSTRUCTION COMMITMENTS**

The District passed a \$163,110,000 bond authorization on November 6, 2012. The authorization included equipment, building renovations, new elementary construction and land purchases. Contracts for the renovations and new construction will be completed in 2015. As of August 31, 2015, \$41,547,722 was invested in construction in progress.

**P. MAINTENANCE OF EFFORT**

For fully insured districts/entities/risk pools, enter the total amount paid by the district for employee health care premiums as reported to TEA per Note H:

a) Total District Premium paid for health care 2014-15	\$11,695,441
b) Subtract any non-medical expenditures Life Insurance	(30,405)
c) 2014-15 Maintenance of Effort	\$11,665,036

Self-insured Districts/Entities/Risk Pools: TEA will permit a self-insured district to include in (b) a deduction for any individual one-time high cost claims from the total cost. Claims must be documented and considered an extraordinary, catastrophic expense (i.e., not covered by stop loss).

**Q. EMPLOYEE DEFINED CONTRIBUTION PLAN**

The District participates in a matching annuity plan for the benefit of its employees. The District matches the employees’ contributions to the maximum of 3.0%. The percentage contributed by the District is determined annually by the Board of Trustees. Participants begin to vest in benefits after 3 years and become fully vested after 5 years. Participants are 100% vested in their personal contributions at all times. At August 31, 2015, 1,082 employees participated in the plan and the District contributed \$1,477,363.

**R. WORKER’S COMPENSATION**

GASB 10 requires that state and local governmental entities other than public entity risk pools are required to report an estimated loss from a claim as an expenditure/expense and as a liability if both of these conditions are met:

- a) Information available before the financial statements are issued indicates that it is probable that an asset had been impaired or a liability had been incurred at the date of the financial statements. It is implicit in this condition that it must be probable that one or more future events will also occur, confirming the fact of the loss.
- b) The amount of the loss can be reasonably estimated.

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

At August 31, 2015, the accrued liabilities for worker’s compensation self-insurance of \$2,046,837 includes estimated incurred but not reported claims.

Year	Beginning of Fiscal Year Liability	Current Year claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year end
2014	\$ 2,526,346	\$ 167,364	(\$ 646,873)	\$ 2,046,837
2015	\$ 2,046,837	\$ 41,387	(\$ 514,537 )	\$1,573,687

The Texas Association of School Board administers the District workers compensation program. As part of that contract a certified actuary has reviewed the District's estimated liability for workers compensation. The result of that actuarial review allows the District to reduce the estimated liability that had been previously accrued.

## **S. PREPAYMENTS**

The balance in prepayments reflects prepaid rent from the closing of a property sale where buyer provided three years rental sublet at a value of \$1.2 million.

## **T. NEW PRONOUNCEMENTS**

In June 2015, the GASB issued Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB 68, and amendments to certain provisions of GASB 67 and 68. This Statement establishes requirements for defined benefit pensions that are not within the scope of GASB 68, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of GASB 68. It also amends certain provisions of GASB 67 and GASB 68 for pension plans and pensions that are within their respective scopes. This statement is effective for financial statements for reporting periods beginning after June 15, 2016.

In June 2015, GASB issued Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This statement is effective for financial statements for reporting periods beginning after June 15, 2016.

In June 2015, GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB). The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for OPEB. It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This statement is effective for financial statements for reporting periods beginning after June 15, 2017.

In June 2015, GASB issued Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The objective of this Statement is to identify the hierarchy of GAAP. The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This statement is effective for financial statements for reporting periods beginning after June 15, 2016.

In August 2015, GASB issued Statement No. 77, Tax Abatement Disclosures. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. This statement is effective for financial statements for reporting periods beginning after December 15, 2015.

The District's management is reviewing the implementation process of these standards by gathering required information.

**REQUIRED SUPPLEMENTARY INFORMATION**

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MIDLAND INDEPENDENT SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEULE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 198,484,003	\$ 207,534,183	\$ 208,260,050	\$ 725,867
5800	State Program Revenues	15,461,407	15,685,993	15,722,481	36,488
5900	Federal Program Revenues	2,400,000	3,462,852	3,462,942	90
5020	Total Revenues	216,345,410	226,683,028	227,445,473	762,445
<b>EXPENDITURES:</b>					
<b>Current:</b>					
0011	Instruction	108,376,318	118,214,137	117,239,242	974,895
0012	Instructional Resources and Media Services	2,325,323	2,555,585	2,479,590	75,995
0013	Curriculum and Instructional Staff Development	5,795,219	6,573,747	6,360,932	212,815
0021	Instructional Leadership	3,091,128	3,234,886	3,070,539	164,347
0023	School Leadership	11,740,437	12,126,824	12,024,518	102,306
0031	Guidance, Counseling and Evaluation Services	5,992,101	6,213,558	5,972,523	241,035
0032	Social Work Services	242,776	287,776	269,441	18,335
0033	Health Services	2,239,727	2,741,208	2,213,636	527,572
0034	Student (Pupil) Transportation	6,885,596	7,201,869	7,017,379	184,490
0036	Extracurricular Activities	4,388,217	4,145,108	3,853,071	292,037
0041	General Administration	6,120,944	6,653,079	6,528,178	124,901
0051	Facilities Maintenance and Operations	18,692,191	23,234,178	21,999,078	1,235,100
0052	Security and Monitoring Services	1,378,465	1,553,974	1,445,067	108,907
0053	Data Processing Services	4,742,457	4,950,586	4,608,488	342,098
0061	Community Services	630,784	511,084	449,710	61,374
<b>Capital Outlay:</b>					
0081	Facilities Acquisition and Construction	-	288,172	196,411	91,761
<b>Intergovernmental:</b>					
0091	Contracted Instructional Services Between Schools	33,031,333	33,031,333	32,294,988	736,345
0093	Payments to Fiscal Agent/Member Districts of SSA	130,000	130,000	67,507	62,493
6030	Total Expenditures	215,803,016	233,647,104	228,090,298	5,556,806
1200	Net Change in Fund Balances	542,394	(6,964,076)	(644,825)	6,319,251
0100	Fund Balance - September 1 (Beginning)	51,838,229	51,838,229	51,838,229	-
3000	Fund Balance - August 31 (Ending)	\$ 52,380,623	\$ 44,874,153	\$ 51,193,404	\$ 6,319,251



MIDLAND INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 TEACHERS RETIREMENT SYSTEM  
 FOR THE YEAR ENDED AUGUST 31, 2015

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	2015
District's Proportion of the Net Pension Liability	0.1106357%
District's Proportionate Share of Net Pension Liability	\$ 29,552,326
State's Proportionate Share of the Net Pension Liability	64,819,676
Total	\$ 94,372,002
District's Covered-Employee Payroll	\$ 141,859,865
District's Proportional Share of the Net Pension Liability as a Percentage of it's Covered-Employee Payroll	21.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.25%

Note: Only one year of data is presented in accordance with GASB 68 as the data for the years other than 2015 is not available

MIDLAND INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS  
 TEACHERS RETIREMENT SYSTEM  
 FOR THE YEAR ENDED AUGUST 31, 2015

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		2015
Contractually Required Contribution	\$	9,433,681
Contribution in Relation to the Contractually Required Contribution		<u>(9,433,681)</u>
Total	\$	<u><u>-</u></u>
District's Covered-Employee Payroll	\$	141,859,865
Contributions as a Percentage of Covered-Employee Payroll		6.65%

Note: Only one year of data is presented in accordance with GASB 68 as the data for the years other than 2015 is not available

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**OTHER SUPPLEMENTARY INFORMATION**

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## **COMBINING SCHEDULES**

MIDLAND INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2015

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ 1,070	\$ 13,666	\$ 25,260	\$ 146
1240 Receivables from Other Governments	-	792,105	347,892	2,374
1260 Due from Other Funds	78	-	-	-
1000 Total Assets	<u>\$ 1,148</u>	<u>\$ 805,771</u>	<u>\$ 373,152</u>	<u>\$ 2,520</u>
<b>LIABILITIES</b>				
2110 Accounts Payable	\$ -	\$ 30,854	\$ 102,394	\$ -
2160 Accrued Wages Payable	-	92,064	238,307	2,374
2170 Due to Other Funds	1,148	682,853	32,451	146
2300 Unearned Revenues	-	-	-	-
2000 Total Liabilities	<u>1,148</u>	<u>805,771</u>	<u>373,152</u>	<u>2,520</u>
<b>FUND BALANCES</b>				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	-	-
3490 Other Restricted Fund Balance	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 1,148</u>	<u>\$ 805,771</u>	<u>\$ 373,152</u>	<u>\$ 2,520</u>

242 Summer Feeding Program	244 Carl Perkins Basic Formula	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Summer School LEP	296 Title I Priority & Focus	396 Advanced Placement Testing	405 ESC Gifted and Talented
\$ 858,738	\$ 6,422	\$ -	\$ -	\$ -	\$ 25,792	\$ 41,687	\$ 35,000
12,490	14,711	697,072	20,671	-	24,439	-	-
-	-	-	-	-	-	10,901	-
<u>\$ 871,228</u>	<u>\$ 21,133</u>	<u>\$ 697,072</u>	<u>\$ 20,671</u>	<u>\$ -</u>	<u>\$ 50,231</u>	<u>\$ 52,588</u>	<u>\$ 35,000</u>
\$ -	\$ 2,369	\$ 557,161	\$ 18,536	\$ -	\$ 12,151	\$ -	\$ -
-	6,887	11,580	968	-	-	-	-
13,245	11,877	128,331	1,167	-	38,080	-	15,000
-	-	-	-	-	-	52,588	20,000
<u>13,245</u>	<u>21,133</u>	<u>697,072</u>	<u>20,671</u>	<u>-</u>	<u>50,231</u>	<u>52,588</u>	<u>35,000</u>
857,983	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>857,983</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 871,228</u>	<u>\$ 21,133</u>	<u>\$ 697,072</u>	<u>\$ 20,671</u>	<u>\$ -</u>	<u>\$ 50,231</u>	<u>\$ 52,588</u>	<u>\$ 35,000</u>



MIDLAND INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2015

Data Control Codes	410 State Textbook Fund	427 Read To Succeed	429 Accelerated Reading	491 Wellness Program	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ 195,836	\$ 52	\$ 724	\$ 12,253
1240	Receivables from Other Governments	5,073,727	-	-	-
1260	Due from Other Funds	95,598	-	-	-
1000	<b>Total Assets</b>	<u>\$ 5,365,161</u>	<u>\$ 52</u>	<u>\$ 724</u>	<u>\$ 12,253</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ 405,421	\$ -	\$ -	\$ 914
2160	Accrued Wages Payable	-	-	-	-
2170	Due to Other Funds	4,959,740	-	-	-
2300	Unearned Revenues	-	52	724	11,339
2000	<b>Total Liabilities</b>	<u>5,365,161</u>	<u>52</u>	<u>724</u>	<u>12,253</u>
<b>FUND BALANCES</b>					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
3470	Capital Acquisition and Contractual Obligation	-	-	-	-
3490	Other Restricted Fund Balance	-	-	-	-
3000	<b>Total Fund Balances</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	<b>Total Liabilities and Fund Balances</b>	<u>\$ 5,365,161</u>	<u>\$ 52</u>	<u>\$ 724</u>	<u>\$ 12,253</u>

493 "Buddy" Davidson Grant	498 Education Foundation	499 Story Telling	Total Nonmajor Special Revenue Funds	601 West Renovation Project	602 Technology Infrastructur	Total Nonmajor Governmental Funds
\$ 1,537	\$ 39,818	\$ 24,877	\$ 1,282,878	\$ -	\$ -	\$ 1,282,878
-	-	-	6,985,481	-	-	6,985,481
-	-	-	106,577	-	2,088,388	2,194,965
<u>\$ 1,537</u>	<u>\$ 39,818</u>	<u>\$ 24,877</u>	<u>\$ 8,374,936</u>	<u>\$ -</u>	<u>\$ 2,088,388</u>	<u>\$ 10,463,324</u>
\$ -	\$ -	\$ -	\$ 1,129,800	\$ -	\$ 397,371	\$ 1,527,171
-	-	-	352,180	-	-	352,180
-	-	-	5,884,038	-	-	5,884,038
1,537	39,818	-	126,058	-	-	126,058
<u>1,537</u>	<u>39,818</u>	<u>-</u>	<u>7,492,076</u>	<u>-</u>	<u>397,371</u>	<u>7,889,447</u>
-	-	-	857,983	-	-	857,983
-	-	-	-	-	1,691,017	1,691,017
-	-	24,877	24,877	-	-	24,877
<u>-</u>	<u>-</u>	<u>24,877</u>	<u>882,860</u>	<u>-</u>	<u>1,691,017</u>	<u>2,573,877</u>
<u>\$ 1,537</u>	<u>\$ 39,818</u>	<u>\$ 24,877</u>	<u>\$ 8,374,936</u>	<u>\$ -</u>	<u>\$ 2,088,388</u>	<u>\$ 10,463,324</u>

MIDLAND INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	2,012,885	4,615,341	3,581,868	10,832
5020 Total Revenues	<u>2,012,885</u>	<u>4,615,341</u>	<u>3,581,868</u>	<u>10,832</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	1,139,665	3,950,378	2,035,038	10,832
0012 Instructional Resources and Media Services	124,009	73,700	-	-
0013 Curriculum and Instructional Staff Development	73,486	224,332	43,266	-
0021 Instructional Leadership	113,065	182,727	121,713	-
0023 School Leadership	-	34,658	-	-
0031 Guidance, Counseling and Evaluation Services	-	66,390	1,371,243	-
0033 Health Services	75,415	-	-	-
0034 Student (Pupil) Transportation	229,875	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	10,608	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0061 Community Services	257,370	83,156	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	<u>2,012,885</u>	<u>4,615,341</u>	<u>3,581,868</u>	<u>10,832</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	-	-	-
8911 Transfers Out (Use)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

242 Summer Feeding Program	244 Carl Perkins Basic Formula	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Summer School LEP	296 Title I Priority & Focus	396 Advanced Placement Testing	405 ESC Gifted and Talented
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,000
-	-	-	-	-	-	3,383	-
103,421	242,767	1,125,348	163,250	9,959	442,870	-	-
103,421	242,767	1,125,348	163,250	9,959	442,870	3,383	15,000
-	149,251	6,262	107,575	9,959	349,153	-	15,000
-	-	-	-	-	-	-	-
-	-	520,704	36,753	-	63,297	3,383	-
-	570	450,117	11,861	-	-	-	-
-	-	148,265	3,576	-	14,628	-	-
-	70,700	-	3,485	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
83,055	-	-	-	-	-	-	-
-	22,246	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	15,792	-	-
-	-	-	-	-	-	-	-
83,055	242,767	1,125,348	163,250	9,959	442,870	3,383	15,000
20,366	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
20,366	-	-	-	-	-	-	-
837,617	-	-	-	-	-	-	-
\$ 857,983	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

MIDLAND INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	410 State Textbook Fund	427 Read To Succeed	429 Accelerated Reading	491 Wellness Program
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 4,985
5800 State Program Revenues	2,952,288	-	-	-
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	<u>2,952,288</u>	<u>-</u>	<u>-</u>	<u>4,985</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	2,952,288	-	-	-
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	-	200
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0033 Health Services	-	-	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	4,785
0051 Facilities Maintenance and Operations	-	-	-	-
0061 Community Services	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	<u>2,952,288</u>	<u>-</u>	<u>-</u>	<u>4,985</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	-	-	-
8911 Transfers Out (Use)	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

493 "Buddy" Davidson Grant	498 Education Foundation	499 Story Telling	Total Nonmajor Special Revenue Funds	601 West Renovation Project	602 Technology Infrastructur	Total Nonmajor Governmental Funds
\$ 14,928	\$ 111,978	\$ -	\$ 146,891	\$ -	\$ -	\$ 146,891
-	-	-	2,955,671	-	-	2,955,671
-	-	-	12,308,541	-	-	12,308,541
<u>14,928</u>	<u>111,978</u>	<u>-</u>	<u>15,411,103</u>	<u>-</u>	<u>-</u>	<u>15,411,103</u>
-	102,683	-	10,828,084	-	-	10,828,084
-	-	-	197,709	-	-	197,709
-	-	16,778	982,199	-	-	982,199
-	-	-	880,053	-	-	880,053
-	-	-	201,127	-	-	201,127
14,928	9,295	-	1,536,041	-	-	1,536,041
-	-	-	75,415	-	-	75,415
-	-	-	229,875	-	-	229,875
-	-	-	83,055	-	-	83,055
-	-	-	32,854	-	-	32,854
-	-	-	4,785	-	-	4,785
-	-	-	-	19,249	-	19,249
-	-	-	356,318	-	-	356,318
-	-	18,199	18,199	-	1,822,727	1,840,926
<u>14,928</u>	<u>111,978</u>	<u>34,977</u>	<u>15,425,714</u>	<u>19,249</u>	<u>1,822,727</u>	<u>17,267,690</u>
<u>-</u>	<u>-</u>	<u>(34,977)</u>	<u>(14,611)</u>	<u>(19,249)</u>	<u>(1,822,727)</u>	<u>(1,856,587)</u>
-	-	-	-	57,421	-	57,421
-	-	-	-	-	(57,421)	(57,421)
-	-	-	-	57,421	(57,421)	-
-	-	(34,977)	(14,611)	38,172	(1,880,148)	(1,856,587)
-	-	59,854	897,471	(38,172)	3,571,165	4,430,464
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,877</u>	<u>\$ 882,860</u>	<u>\$ -</u>	<u>\$ 1,691,017</u>	<u>\$ 2,573,877</u>

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**REQUIRED TEA SCHEDULES**



MIDLAND INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED AUGUST 31, 2015

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2006 and prior years	\$ 1.500000	\$ 0.127500	\$ 5,564,852,028
2007	1.330000	0.127500	6,804,612,913
2008	1.000050	0.168000	8,011,274,681
2009	1.040050	0.125000	9,622,129,854
2010	1.040050	0.112500	10,221,439,879
2011	1.040050	1.050000	10,879,019,756
2012	1.040050	0.101000	11,235,065,718
2013	1.040050	0.100000	14,698,146,126
2014	1.040050	0.090000	14,782,675,318
2015 (School year under audit)	1.040050	0.100000	19,292,108,478
1000 TOTALS			

(10) Beginning Balance 9/1/2014	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2015
\$ 395,014	\$ -	\$ 14,466	\$ 1,229	\$ (213,279)	\$ 166,040
68,382	-	7,804	748	369	60,199
76,220	-	7,499	1,259	(459)	67,003
88,777	-	13,948	1,677	4,447	77,599
134,382	-	68,981	7,461	18,214	76,154
154,859	-	90,538	9,140	41,603	96,784
328,325	-	164,973	16,018	(29,801)	117,533
645,033	-	225,147	21,643	(73,115)	325,128
2,436,451	-	1,577,562	136,434	(71,934)	650,521
-	216,191,515	194,098,364	18,658,804	(986,592)	2,447,755
<u>\$ 4,327,443</u>	<u>\$ 216,191,515</u>	<u>\$ 196,269,282</u>	<u>\$ 18,854,413</u>	<u>\$ (1,310,547)</u>	<u>\$ 4,084,716</u>

MIDLAND INDEPENDENT SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 BUDGET AND ACTUAL - NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM  
 FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 3,195,333	\$ 3,488,877	\$ 3,509,260	\$ 20,383
5800 State Program Revenues	58,817	58,891	58,891	-
5900 Federal Program Revenues	7,548,679	7,833,562	6,689,394	(1,144,168)
5020 Total Revenues	10,802,829	11,381,330	10,257,545	(1,123,785)
<b>EXPENDITURES:</b>				
0035 Food Services	10,802,829	11,702,829	11,596,548	106,281
6030 Total Expenditures	10,802,829	11,702,829	11,596,548	106,281
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(321,499)	(1,339,003)	(1,017,504)
<b>OTHER FINANCING SOURCES (USES):</b>				
7961 Transfers Out (Use)	-	-	(225,000)	(225,000)
1200 Net Change in Fund Balances	-	(321,499)	(1,564,003)	(1,242,504)
0100 Fund Balance - September 1 (Beginning)	4,467,030	4,477,352	4,467,030	(10,322)
3000 Fund Balance - August 31 (Ending)	\$ 4,467,030	\$ 4,155,853	\$ 2,903,027	\$ (1,252,826)

MIDLAND INDEPENDENT SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 BUDGET AND ACTUAL - DEBT SERVICE FUND  
 FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 18,830,302	\$ 18,968,495	\$ 19,023,098	\$ 54,603
5020	Total Revenues	18,830,302	18,968,495	19,023,098	54,603
<b>EXPENDITURES:</b>					
Debt Service:					
0071	Principal on Long Term Debt	5,296,864	5,296,864	5,246,214	50,650
0072	Interest on Long Term Debt	13,520,438	13,520,438	13,520,438	-
6030	Total Expenditures	18,817,302	18,817,302	18,766,652	50,650
1200	Net Change in Fund Balances	13,000	151,193	256,446	105,253
0100	Fund Balance - September 1 (Beginning)	4,025,729	4,025,729	4,025,729	-
3000	Fund Balance - August 31 (Ending)	\$ 4,038,729	\$ 4,176,922	\$ 4,282,175	\$ 105,253

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**FEDERAL AWARDS SECTION**

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

To the Superintendent and the Board of Trustees  
Midland Independent School District  
Midland, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Midland Independent School District, (the District) as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 12, 2016.

***Internal Control over Financial Reporting***

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

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

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



To the Superintendent and the Board of Trustees  
Midland Independent School District

### ***Compliance and Other Matters***

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

### **Purpose of this Report**

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

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Midland, Texas  
January 12, 2016



REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133

To the Superintendent and the Board of Trustees  
Midland Independent School District  
Midland, Texas

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

We have audited Midland Independent School District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *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, 2015. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

**Opinion on Each Major Program**

In our opinion, the District 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 programs for the year ended August 31, 2015.

To the Superintendent and the Board of Trustees  
Midland Independent School District

## Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Midland, Texas  
January 12, 2016

**MIDLAND INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED AUGUST 31, 2015**

***I. SUMMARY OF AUDITORS' RESULTS***

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- ◆ Material weakness (es) identified?        Yes   X   No
- ◆ Significant deficiency (es) identified that are not considered to be material weaknesses?        Yes   X   None reported

Noncompliance material to financial statements noted?        Yes   X   No

**Federal Awards**

Internal control over major programs:

- ◆ Material weakness (es) identified?        Yes   X   No
- ◆ Significant deficiency (ies) identified that are not considered to be material weakness (es)?        Yes   X   None reported

Type of auditor's report issued on compliance for major programs: Unmodified

- ◆ Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?        Yes   X   No

Identification of Major Programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.555 and 10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs:   \$  716,542  

Auditee qualified as low-risk auditee?   X   Yes        No

**MIDLAND INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED AUGUST 31, 2015**

***II. FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS.***

None.

***III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS.***

None.

**MIDLAND INDEPENDENT SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS  
YEAR ENDED AUGUST 31, 2015**

***II. FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS.***

None.

***III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS.***

None.

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MIDLAND INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2015

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	15610101165901	\$ 4,615,341
Title I, Priority & Focus	84.010A	15610101165901118	442,870
Total CFDA Number 84.010A			<u>5,058,211</u>
Total Title I, Part A Cluster			<u>                    </u>
*IDEA - Part B, Formula	84.027	15660001165901600	3,581,868
*IDEA - Part B, Preschool	84.173	15661001165901610	10,832
Total Special Education Cluster (IDEA)			<u>3,592,700</u>
Career and Technical - Basic Grant	84.048	15420006165901	242,767
Title III, Part A - English Language Acquisition	84.365A	15671001165901	163,250
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	15694501165901	1,125,348
Summer School-LEP	84.369A	69551302	9,959
Total Passed Through State Department of Education			<u>\$ 10,192,235</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<u>\$ 10,192,235</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<u>Passed Through State Department of Education</u>			
Head Start	93.600	06CH994/45	\$ 2,012,885
Total Passed Through State Department of Education			<u>\$ 2,012,885</u>
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<u>\$ 2,012,885</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
*National School Lunch Program - Cash Assistance	10.555	165-1002	\$ 11,596,548
*Summer Feeding Program - Cash Assistance	10.559	165-1002	83,055
Total Child Nutrition Cluster			<u>11,679,603</u>
Total Passed Through the State Department of Agriculture			<u>\$ 11,679,603</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<u>\$ 11,679,603</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 23,884,723</u></u>

\*Clustered Programs



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**MIDLAND INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED AUGUST 31, 2015**

1. The District utilized the fund types specified in the Texas Education Agency’s Financial Accountability System Resource Guide.

Special Revenue Funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund. Generally, unused balances are returned to the grantor at the close of specified project periods.

2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All federal grant funds were accounted for in the Special Revenue Fund, a component of the Governmental Fund type. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financial sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund Types and Agency Funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term-Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly, when such funds are received, they are recorded as deferred revenues until earned.

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H., Period of Availability of Federal funds, Part 3, OMB Circular A-133 Compliance Supplement – Provisional 6/97.

4. Relationship to Financial Statements

Federal financial assistance revenues are reported in the District’s financial statements as follows:

100-199	General Fund	\$ 3,462,942
200-499	Special Revenue Funds	18,997,935
		22,460,877
	Audit Period Expenditures From the Schedule of Expenditures of Federal Awards	\$23,884,723

Federal Revenues reported in Special Revenue Funds do not equal the total amount of expenditures as reported on the Schedule of Expenditures of Federal Awards since the National School Breakfast/Lunch Program (see C-3) and the Summer Feeding Program (see H-2) carry a fund balance. Therefore, revenues, less expenses do not zero out each year, as do most Federal Programs.

5. Relationship to Federal Financial Reports

Amounts reported in the accompanying exhibits agree with the amounts reported in the related federal financial reports.

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