



Board Binder Open Session

April 12, 2021

Agenda



Effective March 16, 2020, Governor Greg Abbott authorized the temporary suspension of certain statutory provisions of the Texas Open Meetings Act. This meeting of the Midland Development Corporation is being held pursuant to such authorization and will limit face-to-face interactions for the purpose of slowing the spread of the coronavirus (COVID-19).

**MIDLAND DEVELOPMENT CORPORATION AS AUTHORIZED BY CHAPTER 504 OF THE TEXAS
LOCAL GOVERNMENT CODE**

NOTICE OF PUBLIC MEETING

In accordance with Chapter 551, Texas Government Code, as amended, notice is hereby given to the public that the Board of Directors of the Midland Development Corporation will meet in regular session, open to the public, in the Midland Chamber of Commerce board room, 303 West Wall Street, Suite 200, Midland, Texas, at 10:00 a.m. on April 12, 2021.

Videoconference Information

Join Zoom Webinar

<https://us02web.zoom.us/j/81797129675?pwd=YUdBWGRINDdha2hoM3JQY2I2WXZEQT09>

Password: 322431

Or join by phone:

Dial (for higher quality, dial a number based on your current location):

US: +1 346-248-7799 or +1 669-900-9128 or +1 253-215-8782 or +1 301-715-8592 or +1 312-626-6799
or +1 646-558-8656

Webinar ID: 817 9712 9675

Passcode: 322431

International numbers available: <https://us02web.zoom.us/u/kbtg3cnwEy>

At such meeting, the Board of Directors may discuss, consider, and take action on any of the following items:

1. Call meeting to order.
2. Motion approving the minutes of the February 1, 2021, meeting of the Midland Development Corporation.
3. Motion approving the minutes of the March 4, 2021, meeting of the Midland Development Corporation.
4. Receive and discuss the Independent Auditors' Report and the Basic Financial Statements for the Fiscal Year 2019-2020 presented by Mark Mason, Director of Finance for the City of Midland.
5. Motion approving an application process for businesses seeking Midland Development Corporation funding assistance in accordance with Chapters 501 and 504 of the Texas Local Government Code.
6. Presentation on the March 2021 monthly expenses from the Midland Development Corporation.

7. Presentation on the monthly economic development activity report from the Midland Development Corporation Executive Director.
8. Pursuant to Texas Government Code §551.101, the Board of Directors will hold an Executive Session, which is closed to the public to discuss the following matters as permitted under the following Texas Government Code Sections:
 - a. Section 551.072 Deliberation Regarding Real Property
 - i. Discuss the sale, exchange, lease or value of real property described as an approximate 53.62-acre tract of land out of Section 11, Block 40, T-2-S, T&P RR Co. Survey, Midland County, Texas.
 - c. Section 551.087 Deliberation Regarding Economic Development Negotiations
 - i. Discuss business prospects that the Midland Development Corporation seeks to have, locate, stay, or expand in or near the City of Midland, Texas, and discuss possible incentives, and discuss contract compliance on the part of businesses.

Posted this 8th day of April, 2021.

Amy M. Turner
City Secretary

February 1st Minutes

MIDLAND DEVELOPMENT CORPORATION

MINUTES

February 01, 2021

The Board of Directors of the Midland Development Corporation convened in regular session at the Midland Chamber of Commerce board room, 303 West Wall Street, Suite 200, Midland, Texas, at 10:02 a.m. on February 01, 2021.

Board Members present: Chairman Wesley Bownds, Director Stephen Lowery, Director Berry Simpson, Director Jill Pennington, Director Chase Gardaphe and Director Lourcey Sams

Board Members absent: None

Staff Members present: Assistant City Manager Morris Williams, Assistant City Attorney Nicholas Toulet-Crump, Director of Airports Justine Ruff, Comptroller Christy Weakland, Budget Manager Jamie Radcliffe, Engineering Services Director Jose Ortiz, Drainage Engineering Manager Claudius Sanchez, and Deputy City Secretary SueAnn Reyes

Council Member(s) present: Council member Lori Blong

MDC Staff Members present: Executive Director John Trischitti, Director of Operations Sara Harris

1. Call meeting to order.

Chairman Bownds called the meeting to order at 10:02 am

2. Motion approving the minutes of the December 07, 2020, meeting of the Midland Development Corporation.

Director Sams moved to approve the minutes of the November 02, 2020 meeting of the Midland Development Corporation; seconded by Director Gardaphe. The motion carried by the following vote: AYE: Bownds, Lowery, Simpson, Pennington, Sams. NAY: None. ABSTAIN: None. ABSENT: None.

3. Presentation from Texas Tech University Health Sciences Center regarding the expansion of the Physician Assistant Studies Program in the City of Midland.

Christina Robohm, Texas Tech University Health Sciences Center Regional Dean and PA Program Director, gave an overview of the expansion of the Physician Assistant Studies Program on the Midland College Campus, noting that the facility's groundbreaking is planned for March 2021 and that ultimately the expansion will increase class size by 30%.

4. Resolution authorizing the execution of an amendment to that certain location incentives agreement between the Midland Development Corporation and Texas Tech

University Health Sciences Center for the expansion of the Physician Assistant Studies Program in the City of Midland, Texas.

Director Simpson moved to approve Resolution ED-370 authorizing the execution of an amendment to that certain location incentives agreement between the Midland Development Corporation and Texas Tech University Health Sciences Center for the expansion of the Physician Assistant Studies Program in the City of Midland, Texas; seconded by Director Lowery. The motion carried by the following vote: AYE: Bownds, Lowery, Simpson, Pennington, Sams. NAY: None. ABSTAIN: None. ABSENT: None.

5. Presentation from Midland College regarding the College's Dual Credit and Career & Technical Education programs.

Midland College's Vice President of Instructional Services Damon Kennedy and Special Advisor to the President Deana Savage gave a presentation regarding Midland College's Dual Credit and Career & Technical Education programs, noting the success of the Health Sciences Academy completions and certifications and that the Health Sciences and Petroleum Academies were at capacity. They noted room for enrollment growth with the Dual Fire Academy, Homeland Security, Law Enforcement, and Education programs.

6. Presentation from the City of Midland regarding infrastructure partnership initiatives.

Director of Engineering Jose Ortiz gave an update on current projects for which the City of Midland and the MDC had partnered, noting the Avalon Avenue extension planning documents were complete, and that the projects including SH158 at CR60/Briarwood Ave, SH158 at Wadley, and Midland Draw widening were at 95% design completion. Estimated total cost of construction was approximately \$45 million.

7. Resolution ratifying and approving a contract with Lydick-Hooks Roofing Co. in the amount of \$126,915.00 for the construction of a temporary roof for the Western United Life Building; and authorizing payment for said contract.

Director Simpson moved to approve Resolution ED-371 ratifying and approving a contract with Lydick-Hooks Roofing Co. in the amount of \$126,915.00 for the construction of a temporary roof for the Western United Life Building; and authorizing payment for said contract; seconded by Director Sams. The motion carried by the following vote: AYE: Bownds, Lowery, Simpson, Pennington, Sams. NAY: None. ABSTAIN: None. ABSENT: None.

8. Resolution authorizing the execution of a consultant services agreement with InterFlight Global Corporation in an amount not to exceed \$120,975.00 for services related to the procurement of new tenants for facilities located at the Spaceport Business Park; and authorizing payment for said contract.

Director Lowery moved to approve Resolution ED-372 authorizing the execution of a consultant services agreement with InterFlight Global Corporation in an amount not to exceed \$120,975.00 for services related to the procurement of new tenants for facilities located at the Spaceport Business Park; and authorizing payment for said contract; seconded by Director Gardaphe. The motion carried by the following vote:

AYE: Bownds, Lowery, Simpson, Pennington, Sams. NAY: None. ABSTAIN: None.
ABSENT: None.

9. Presentation on the January 2021 monthly expenses from the Midland Development Corporation.

Director of Operations Sara Harris reported continued decline in sales tax revenues.

10. Presentation on the monthly economic development activity report from the Midland Development Corporation Executive Director.

Executive Director John Trischitti reported he was working on legislative visits to Washington D.C.

All the business at hand having been completed, Chairman Bownds adjourned the meeting at 11:28 a.m.

Respectfully submitted,

SueAnn Reyes, Deputy City Secretary

PASSED AND APPROVED the 12th Day of April 2021.

Berry Simpson, Secretary

March 4th Minutes

MIDLAND DEVELOPMENT CORPORATION

MINUTES

March 04, 2021

The Board of Directors of the Midland Development Corporation convened in regular session at the Midland Development Corporation conference room, 200 North Loraine Street, Suite 610, Midland, Texas, at 9:00 a.m. on March 4, 2021.

Board Members present: Chairman Wesley Bownds, Director Berry Simpson, Director Chase Gardaphe, and Director Lourcey Sams

Board Members absent: Director Jill Pennington and Director Stephen Lowery

Staff Members present: Assistant City Manager Morris Williams, Assistant City Attorney Nicholas Toulet-Crump, and Deputy City Secretary SueAnn Reyes

Council Member(s) present: Council member Lori Blong

MDC Staff Members present: Executive Director John Trischitti, Director of Operations Sara Harris

1. Call meeting to order.

Chairman Bownds called the meeting to order at 9:00 am

2. Pursuant to Texas Government Code §551.101, the Board of Directors will hold an executive session that is closed to the public to discuss the following matters as permitted under the following Texas Government Code Sections:

a. Section 551.072 Deliberation Regarding Real Property

- i. Discuss the sale, exchange, lease or value of real property described as an approximate 53.62-acre tract of land out of Section 11, Block 40, T-2-S, T&P RR Co. Survey, Midland County, Texas.

Board recessed into executive session at 9:02 am

3. Consider a motion authorizing the Chairman to negotiate and execute a purchase and sale agreement and all related preliminary documentation for the sale of certain real property described as an approximate 53.62-acre tract of land out of Section 11, Block 40, T-2-S, T&P RR Co. Survey, Midland County, Texas; provided, however, that said purchase and sale agreement shall not become effective unless ratified and approved by the Board of Directors of the Midland Development Corporation.

Director Simpson moved to approve a motion authorizing the Chairman to negotiate and execute a purchase and sale agreement and all related preliminary documentation for the sale of certain real property described as an approximate 53.62-acre tract of land out of Section 11, Block 40, T-2-S, T&P RR Co. Survey, Midland County, Texas; provided, however, that said purchase and sale agreement shall not become effective unless ratified and approved by the Board of Directors of the Midland Development Corporation; seconded by Director Sams. The motion carried by the following vote: AYE: Bownds, Simpson, Sams. NAY: None. ABSTAIN: None. ABSENT: Lowery, Pennington.

All the business at hand having been completed, Chairman Bownds adjourned the meeting at 9:29 a.m.

Respectfully submitted,

SueAnn Reyes, Deputy City Secretary

PASSED AND APPROVED the 12th Day of April 2021.

Berry Simpson, Secretary

Fiscal Year 2020 Audit

Board of Directors and Management
Midland Development Corporation
Midland, Texas

As part of our audit of the financial statements of Midland Development Corporation (MDC), a component unit of the City of Midland, Texas, as of and for the year ended September 30, 2020, we wish to communicate the following to you.

AUDIT SCOPE AND RESULTS

Auditor's Responsibility Under Auditing Standards Generally Accepted in the United States of America

An audit performed in accordance with auditing standards generally accepted in the United States of America is designed to obtain reasonable, rather than absolute, assurance about the financial statements. In performing auditing procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction. Our engagement letter more specifically describes our responsibilities.

These standards require communication of significant matters related to the financial statement audit that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Such matters are communicated in the remainder of this letter or have previously been communicated during other phases of the audit. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.

An audit of the financial statements does not relieve management or those charged with governance of their responsibilities. Our engagement letter more specifically describes your responsibilities.

Qualitative Aspects of Significant Accounting Policies and Practices

Significant Accounting Policies

MDC's significant accounting policies are described in *Note 1* of the audited financial statements.

Alternative Accounting Treatments

No matters are reportable.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. The following area involves significant areas of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates:

- Collectability of notes receivable

Financial Statement Disclosures

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- Economic development commitments
- Related party transactions

Audit Adjustments

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments which, in its judgment, are required to prevent the financial statements from being materially misstated. A misstatement is a difference between the amount, classification, presentation, or disclosure of a reported financial statement item and that which is required for the item to be presented fairly in accordance with the applicable financial reporting framework.

Areas in which adjustments were proposed include:

Proposed Audit Adjustments Recorded

- Entries to convert modified accrual statements to full accrual statements – outsourced to BKD

Proposed Audit Adjustments Not Recorded

- None

Auditor's Judgments About the Quality of the MDC's Accounting Principles

No matters are reportable.

Significant Issues Discussed with Management

Prior to Retention

No matters are reportable

During the Audit Process

During the audit process, the following issues were discussed or were the subject of correspondence with management:

- Direct and indirect effects on the City due to the spread of the SARS-CoV-2 virus and incidence of COVID-19

Other Material Communication

Listed below is a material communication between management and us related to the audit:

- Management representation letter (*attached*)

OTHER MATTERS

We observed the following matters and offer these comments and suggestions with respect to matters which came to our attention during the course of the audit of the financial statements. We can discuss these matters further at your convenience and may provide implementation assistance for changes or improvements.

GASB Statement No. 84, Fiduciary Activities (GASB 84)

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on: (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less.

GASB 84 is effective for MDC's 2021 fiscal year.

GASB Statement No. 87, Leases (GASB 87)

This new Statement establishes a single model for lease accounting based on the principle that leases represent the financing of the right to use an underlying asset. Specifically, GASB 87 includes the following accounting guidance for lessees and lessors:

Lessee Accounting: A lessee will recognize a liability measured at the present value of payments expected to be made for the lease term, and an intangible asset measured at the amount of the initial lease liability, plus any payments made to the lessor at or before the beginning of the lease and certain indirect costs. A lessee will reduce the liability as payments are made and recognize an outflow of resources for interest on the liability. The asset will be amortized by the lessee over the shorter of the lease term or the useful life of the asset.

Lessor Accounting: A lessor will recognize a receivable measured at the present value of the lease payments expected for the lease term and a deferred inflow of resources measured at the value of the lease receivable plus any payments received at or prior to the beginning of the lease that relate to future periods. The lessor will reduce the receivable as payments are received and recognize an inflow of resources from the deferred inflow of resources in a systematic and rational manner over the term of the lease. A lessor will not derecognize the asset underlying the lease. There is an exception for regulated leases for which certain criteria are met, such as airport-aeronautical agreements.

The lease term used to measure the asset or liability is based on the period in which the lessee has the noncancelable right to use the underlying asset. The lease term also contemplates any lease extension or termination option that is reasonably certain of being exercised.

GASB 87 does not apply to leases for intangible assets, biological assets (i.e. timber and living plants and animals), service concession agreements or leases in which the underlying asset is financed with conduit debt that is reported by the lessor. Additionally, leases with a maximum possible term of 12 months or less are excluded.

GASB 87 is effective for MDC's 2022 fiscal year. Governments will be allowed to transition using the facts and circumstances in place at the time of adoption, rather than retroactive to the time each lease was begun.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the City and is not intended to be, and should not be, used by anyone other than these specified parties.

BKD, LLP

Dallas, Texas
March 19, 2021

Representation of:

Midland Development Corporation
201 N. Loraine St., Suite 641
Midland, Texas 79701

Provided to:

BKD, LLP
Certified Public Accountants
14241 Dallas Pkwy, Suite 1100
Dallas, Texas 75254

The undersigned are providing this letter in connection with BKD's audit of our financial statements as of and for the years ended September 30, 2020.

Our representations are current and effective as of the date of BKD's report: March 19, 2021.

Our engagement with BKD is based on our contract for services dated: August 12, 2020.

Our Responsibility and Consideration of Material Matters

We confirm that we are responsible for the fair presentation of the financial statements subject to BKD's report in conformity with accounting principles generally accepted in the United States of America.

We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, operations and compliance, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Confirmation of Matters Specific to the Subject Matter of BKD's Report

We confirm, to the best of our knowledge and belief, the following:

1. We have fulfilled our responsibilities, as set out in the terms of our contract, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.

2. We acknowledge our responsibility for the design, implementation and maintenance of:
 - a. Internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
 - b. Internal control to prevent and detect fraud.
3. We have reviewed and approved a draft of the financial statements and related notes referred to above, which you prepared in connection with your audit of our financial statements. We acknowledge that we are responsible for the fair presentation of the financial statements and related notes.
4. We have provided you with:
 - a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the MDC from whom you determined it necessary to obtain audit evidence.
 - d. All minutes of meetings of the governing body held through the date of this letter or summaries of actions of recent meetings for which minutes have not yet been prepared. All unsigned copies of minutes provided to you are copies of our original minutes approved by the governing body, if applicable, and maintained as part of our records.
 - e. All significant contracts and grants.
5. All transactions have been recorded in the accounting records and are reflected in the financial statements.
6. We have informed you of all current risks of a material amount that are not adequately prevented or detected by our procedures with respect to:
 - a. Misappropriation of assets.
 - b. Misrepresented or misstated assets, liabilities or net position/fund balance.
7. We have no knowledge of any known or suspected fraudulent financial reporting or misappropriation of assets involving:
 - a. Management or employees who have significant roles in internal control, or

- b. Others, where activities of others could have a material effect on the financial statements.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting the MDC received in communications from employees, regulators, suppliers or others.
 9. We have assessed the risk that the financial statements may be materially misstated as a result of fraud and disclosed to you any such risk identified.
 10. We have disclosed to you the identity of the MDC's related parties and all the related party relationships and transactions of which we are aware. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.

We understand that the term related party refers to an affiliate; management and members of their immediate families, component units and any other party with which the MDC may deal if the MDC can significantly influence, or be influenced by, the management or operating policies of the other. The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with, the MDC.

11. Except as reflected in the financial statements, there are no:
 - a. Plans or intentions that may materially affect carrying values or classifications of assets and liabilities.
 - b. Material transactions omitted or improperly recorded in the financial records.
 - c. Material gain/loss contingencies requiring accrual or disclosure, including those arising from environmental remediation obligations.
 - d. Events occurring subsequent to the statement of net position/balance sheet date through the date of this letter requiring adjustment or disclosure in the financial statements.
 - e. Agreements to purchase assets previously sold.
 - f. Restrictions on cash balances or compensating balance agreements.
 - g. Guarantees, whether written or oral, under which the MDC is contingently liable.
12. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.

13. We have no reason to believe the MDC owes any penalties or payments under the Employer Shared Responsibility Provisions of the *Patient Protection and Affordable Care Act* nor have we received any correspondence from the IRS or other agencies indicating such payments may be due.
14. We are not aware of any pending or threatened litigation or claims whose effects should be considered when preparing the financial statements. We have not sought or received attorney's services related to pending or threatened litigation or claims during or subsequent to the audit period. Also, we are not aware of any litigation or claims, pending or threatened, for which legal counsel should be sought.
15. Adequate provisions and allowances have been accrued for any material losses from:
 - a. Uncollectible receivables.
 - b. Economic incentive commitments, including those unable to be fulfilled.
 - c. Purchase commitments in excess of normal requirements or above prevailing market prices.
16. Except as disclosed in the financial statements, the MDC has:
 - a. Satisfactory title to all recorded assets, and they are not subject to any liens, pledges or other encumbrances.
 - b. Complied with all aspects of contractual agreements, for which noncompliance would materially affect the financial statements.
17. The financial statements disclose all significant estimates and material concentrations known to us. Significant estimates are estimates at the statement of net position/balance sheet date which could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply or markets for which events could occur which would significantly disrupt normal finances within the next year. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
18. The fair values of financial and nonfinancial assets and liabilities, if any, recognized in the financial statements or disclosed in the notes thereto are reasonable estimates based on the methods and assumptions used. The methods and significant assumptions used result in measurements of fair value appropriate for financial statement recognition and disclosure purposes and have been applied consistently from period to period, taking into account any changes in circumstances. The significant assumptions appropriately reflect market participant assumptions.

19. We have not been designated as a potentially responsible party (PRP or equivalent status) by the Environmental Protection Agency (EPA) or other cognizant regulatory agency with authority to enforce environmental laws and regulations.
20. With respect to any nonattest services you have provided us during the year, including drafting the financial statements and related notes:
 - a. We have designated a qualified management-level individual to be responsible and accountable for overseeing the nonattest services.
 - b. We have established and monitored the performance of the nonattest services to ensure they meet our objectives.
 - c. We have made any and all decisions involving management functions with respect to the nonattest services and accept full responsibility for such decisions.
 - d. We have evaluated the adequacy of the services performed and any findings that resulted.
21. With regard to deposit and investment activities:
 - a. All deposit and investment transactions have been made in accordance with legal and contractual requirements.
 - b. Disclosures of deposit and investment balances and risks in the financial statements are consistent with our understanding of the applicable laws regarding enforceability of any pledges of collateral.
 - c. We understand that your audit does not represent an opinion regarding the enforceability of any collateral pledges.
22. The supplementary information required by the Governmental Accounting Standards Board, consisting of management's discussion and analysis and budgetary comparisons, has been prepared and is measured and presented in conformity with the applicable GASB pronouncements, and we acknowledge our responsibility for the information. The information contained therein is based on all facts, decisions and conditions currently known to us and is measured using the same methods and assumptions as were used in the preparation of the financial statements. We believe the significant assumptions underlying the measurement and/or presentation of the information are reasonable and appropriate. There has been no change from the preceding period in the methods of measurement and presentation.

23. With regard to supplementary information:

- a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with the applicable criteria.
 - b. We believe the supplementary information is fairly presented, both in form and content, in accordance with the applicable criteria.
 - c. The methods of measurement and presentation of the supplementary information are unchanged from those used in the prior period.
 - d. We believe the significant assumptions or interpretations underlying the measurement and/or presentation of the supplementary information are reasonable and appropriate.
 - e. If the supplementary information is not presented with the audited financial statements, we acknowledge we will make the audited financial statements readily available to intended users of the supplementary information no later than the date such information and the related auditor's report are issued.
24. We acknowledge the current economic uncertainty related to the pandemic presents difficult circumstances and challenges for the public sector. Governmental entities are facing declines in the fair values of investments and other assets, declines in the volume of business, constraints on liquidity and difficulty obtaining financing. Additionally, the MDC is also impacted by the volatility in the energy sector. We understand the values of the assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments to asset values, allowances for accounts and notes receivable, etc., that could negatively impact the MDC's ability to maintain sufficient liquidity.

We acknowledge that you have no responsibility for future changes caused by the current economic environment and the resulting impact on the MDC's financial statements. Further, management and governance are solely responsible for all aspects of managing the MDC, including questioning the quality and valuation of investments, reviewing allowances for uncollectible amounts and evaluating capital needs and liquidity plans.

25. All potential tax abatements have been identified and evaluated. We believe there are no material tax abatements that are required to be disclosed in the notes to the financial statements.
26. We have no knowledge of any known or suspected asset retirement obligations.

27. We represent that the MDC's expenditures of Federal awards are under the \$750,000 threshold requiring an audit under Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

28. We represent that the MDC's expenditures of state of Texas awards are under the \$750,000 threshold requiring an audit under the State of Texas *Uniform Grant Management Standards*.

DocuSigned by:

Mr. Mark C. Mason, CPA, Director of Finance,

BDFECBDAE99B46D

Mr. Mark C. Mason, CPA, Director of
Finance, City of Midland, Texas
mmason@midlandtexas.

DocuSigned by:

Ms. Christy Weakland, CPA, Comptroller,

7C8E1E75996942E

Ms. Christy Weakland, CPA, Comptroller,
City of Midland, Texas
cweakland@midlandtexas.gov

DocuSigned by:

Mr. John Trischitti, Executive Director

37BA5E1D5E44437...

Mr. John Trischitti, Executive Director,
Midland Development Corporation
jtrischitti@midlandtxedc.com

DocuSigned by:

Sara Harris

CB556898C46545E

Ms. Sara Harris, Director of Operations,
CFO, Midland Development
Corporation
sharris@midlandtxedc.com

Certificate Of Completion

Envelope Id: 350B62FD8A024141AB37438093303EFB	Status: Completed
Subject: BKD Management Representation Letter via DocuSign - Please Review and Sign	
Source Envelope:	
Document Pages: 7	Signatures: 4
Certificate Pages: 5	Initials: 0
AutoNav: Enabled	Envelope Originator:
Envelopeld Stamping: Enabled	Kirsten Loftis
Time Zone: (UTC-06:00) Central Time (US & Canada)	kloftis@bkd.com
	IP Address: 208.127.243.0

Record Tracking

Status: Original	Holder: Kirsten Loftis	Location: DocuSign
3/19/2021 1:44:00 PM	kloftis@bkd.com	

Signer Events

Mr. John Trischitti, Executive Director
jtrischitti@midlandtxedc.com

Security Level: Email, Account Authentication
(None)

Signature

DocuSigned by:
Mr. John Trischitti, Executive Director
37BA5E1D5E4A437...

Signature Adoption: Pre-selected Style
Using IP Address: 65.182.89.51

Timestamp

Sent: 3/19/2021 1:49:11 PM
Resent: 3/19/2021 1:58:37 PM
Viewed: 3/22/2021 8:21:05 AM
Signed: 3/22/2021 8:21:56 AM

Electronic Record and Signature Disclosure:

Accepted: 3/22/2021 8:21:05 AM
ID: e4c7076b-9f7d-45ac-bc2e-f2d1e114409b

Mr. Mark C. Mason, CPA, Director of Finance,
mmason@midlandtexas.gov

Security Level: Email, Account Authentication
(None)

DocuSigned by:
Mr. Mark C. Mason, CPA, Director of Finance,
B0EFCBDAE99B46D...

Signature Adoption: Pre-selected Style
Using IP Address: 65.36.71.2

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Signed: 3/19/2021 5:14:07 PM

Electronic Record and Signature Disclosure:

Accepted: 3/19/2021 5:13:47 PM
ID: 8a2b8226-23be-4b27-a286-1733e004cf5b

Ms. Christy Weakland, CPA, Comptroller,
cweakland@midlandtexas.gov

Security Level: Email, Account Authentication
(None)

DocuSigned by:
Ms. Christy Weakland, CPA, Comptroller,
7C8F1E75996942E...

Signature Adoption: Pre-selected Style
Using IP Address: 65.36.71.2

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Signed: 3/19/2021 2:45:28 PM

Electronic Record and Signature Disclosure:

Accepted: 3/19/2021 2:45:03 PM
ID: cc45a75c-8830-4973-a48d-6de397314dd8

Sara Harris
sharris@midlandtxedc.com

Director of Operations

Security Level: Email, Account Authentication
(None)

DocuSigned by:
Sara Harris
CB556898C46545E...

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In Person Signer Events	Signature	Timestamp
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Kevin Kemp kkemp@bkd.com Partner Security Level: Email, Account Authentication (None) Electronic Record and Signature Disclosure: Not Offered via DocuSign	COPIED	Sent: 3/19/2021 1:49:12 PM
Lauren Berry lberry@bkd.com Security Level: Email, Account Authentication (None) Electronic Record and Signature Disclosure: Not Offered via DocuSign	COPIED	Sent: 3/19/2021 1:49:12 PM
Witness Events	Signature	Timestamp
Notary Events	Signature	Timestamp
Envelope Summary Events	Status	Timestamps
Envelope Sent	Hashed/Encrypted	3/19/2021 1:49:13 PM
Certified Delivered	Security Checked	3/19/2021 2:46:06 PM
Signing Complete	Security Checked	3/19/2021 2:47:44 PM
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Payment Events	Status	Timestamps
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Midland Development Corporation
A Component Unit of the City of Midland, Texas

Independent Auditor's Report and Financial Statements

September 30, 2020

Midland Development Corporation
A Component Unit of the Ctiy of Midland, Texas
September 30, 2020

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Independent Auditor's Report

Board of Directors
The Midland Development Corporation
Midland, Texas

We have audited the accompanying financial statements of the governmental activities and the major fund of the Midland Development Corporation (MDC), a component unit of the City of Midland, Texas, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise MDC's basic financial statements 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Midland Development Corporation as of September 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison as listed in the table of contents 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.

BKD, LLP

Dallas, Texas
March 19, 2021

Midland Development Corporation
A Component Unit of the City of Midland, Texas
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2020

As management of the Midland Development Corporation (MDC), we offer readers of the MDC financial statements this narrative overview and analysis of the financial activities of the MDC for the fiscal year ended September 30, 2020.

Financial Highlights

The net position of the MDC was \$47 million at September 30, 2020, a decrease of \$9.5 million from net position as of September 30, 2019 of \$56.5 million.

At September 30, 2020, amounts restricted for economic development incentives in the general fund decreased from \$37.6 million at September 30, 2019 to \$26.6 million at September 30, 2020.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the MDC's basic financial statements. The MDC's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

This report also contains required supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The statement of net position presents information on all of the MDC's assets and liabilities, with the difference between the two reported as net position. Over time, increases, or decreases in net position may serve as a useful indicator of whether the financial position of the MDC is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of the government-wide financial statements display functions of the MDC that are principally supported by sales taxes. The governmental activities of the MDC include general government and economic development only.

Midland Development Corporation
A Component Unit of the City of Midland, Texas
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2020

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The MDC, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The only fund of the MDC is a governmental fund.

Governmental Fund

A governmental fund is used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of a governmental fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between the governmental fund and governmental activities.

The financial statements presented for the MDC are the same at the government-wide and fund levels, with the exception of compensated absences, capital lease obligations, and capital assets, because the nature of the assets, liabilities, revenues, and expenses that were reported at the government-wide level were such that they also met the criteria for reporting at the fund level.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the MDC's annual budget. The MDC adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

Midland Development Corporation
A Component Unit of the City of Midland, Texas
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2020

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At September 30, 2020, assets exceeded liabilities by \$47 million, a decrease of \$9.5 million from the September 30, 2019, amount of \$56.5 million. Additionally, in fiscal year 2020, the MDC had a \$9.4 million decrease in total assets.

MDC's Net Position

	Governmental Activities	
	2020	2019
Current and other assets	\$ 27,828,258	\$ 38,633,431
Capital assets	<u>20,535,296</u>	<u>19,114,420</u>
Total assets	<u>48,363,554</u>	<u>57,747,851</u>
Accounts and retainage payable	1,188,106	957,650
Noncurrent liabilities	<u>207,671</u>	<u>289,657</u>
Total liabilities	<u>1,395,777</u>	<u>1,247,307</u>
Net investment in capital assets	20,305,158	18,847,719
Restricted for economic development incentives	<u>26,662,619</u>	<u>37,652,825</u>
Total net position	<u>\$ 46,967,777</u>	<u>\$ 56,500,544</u>

Midland Development Corporation
A Component Unit of the City of Midland, Texas
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2020

MDC's Changes in Net Position

	Governmental Activities	
	2020	2019
Revenues		
Program revenues		
Charges for services	\$ 1,073,373	\$ 990,627
Operating grants and contributions	86,539	161,856
Capital grants	16,502	549,650
General revenues		
Sales taxes	12,671,555	15,078,495
Investment earnings	207,618	472,929
Gain on sale of capital assets	-	598,239
Miscellaneous	8,805	15,405
Total revenues	<u>14,064,392</u>	<u>17,867,201</u>
Expenses		
General government	1,716,616	1,620,787
Economic development	<u>21,880,543</u>	<u>12,591,163</u>
Total expenses	<u>23,597,159</u>	<u>14,211,950</u>
Increase (Decrease) in Net Position	(9,532,767)	3,655,251
Net Position – October 1	<u>56,500,544</u>	<u>52,845,293</u>
Net Position – September 30	<u>\$ 46,967,777</u>	<u>\$ 56,500,544</u>

The MDC's general revenues for governmental activities provided \$12.9 million in fiscal year 2020 as compared to \$16.2 million in fiscal year 2019. This decrease is primarily attributable to a decrease in sales taxes resulting from an downturn in the local economy due to decreased oil and gas activity and decreased consumer spending during the Covid-19 pandemic. The revenues were used to pay for expenses associated with general government and economic development activities of \$23.6 million in fiscal year 2020, compared to \$14.2 million in fiscal year 2019. Governmental activities are not self-supporting and are paid for through general revenues.

The most significant expense items of the MDC governmental activities are those associated with economic development activities of \$21.9 million, during the year ended September 30, 2020. Economic development activities increased by \$9.3 million due to several specific projects being completed in fiscal year 2020.

Midland Development Corporation
A Component Unit of the City of Midland, Texas
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2020

Financial Analysis of the Governmental Fund

As noted earlier, the MDC uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund

The focus of the MDC's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the MDC's financing requirements. In particular, unassigned fund balance serves as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund and the only fund of the MDC. Total fund balance decreased \$11 million from 2019 to 2020 primarily due to a decrease in sales tax revenue and an increase in economic development activities. As a measure of the General Fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents 106 percent of total general fund expenditures. \$26.6 million of the fund balance is restricted for economic development.

General Fund Budgetary Highlights

Actual revenues for fiscal year 2020 exceeded the final budget amount by \$1.7 million. This is primarily due to rental income being \$1.1 million higher than budgeted.

Differences between the final budget and actual expenditures resulted in MDC expenditures being \$2.7 million under budget for fiscal year 2020. The major sources of this variance are direct business incentives provided by the MDC, which were under budget by \$3.4 million. However, Capital Outlay was over budget by 1.8 million.

There were no budgetary adjustments during fiscal year 2020.

Midland Development Corporation
A Component Unit of the City of Midland, Texas
Management’s Discussion and Analysis (Unaudited)
Year Ended September 30, 2020

Capital Assets

MDC’s investment in capital assets for its governmental type activities as of September 30, 2020, amounts to \$20.5 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, machinery, and equipment, infrastructure, and construction in progress. Major additions to capital assets in fiscal year 2020 include various improvements and infrastructure.

	Governmental Activities	
	2020	2019
Land	\$ 4,919,828	\$ 4,919,828
Buildings	11,704,128	10,985,057
Improvements other than buildings	1,565,730	455,583
Machinery and equipment	112,640	132,013
Infrastructure	1,118,949	1,172,526
Construction in progress	1,114,021	1,449,413
Total capital assets, net	\$ 20,535,296	\$ 19,114,420

Debt

The MDC has a Commercial Hangar Lease Agreement with the City of Midland for economic development purposes and to provide aviation services as permitted within the agreement. This agreement qualifies as a capital lease for accounting purposes. More detailed information about the lease may be found in the notes to the basic financial statements under *Note 7*.

Economic Factors and Next Year’s Budgets and Rates

The budgetary process for fiscal year 2021 focused on the allocation of resources to economic development activities and contractual payments for administration of the MDC. The budget presented for all MDC operations for the 2020–2021 fiscal year totals \$22.7 million.

The fiscal year 2021 operating budget is supported by combined revenues of \$9.0 million. The major source of this revenue is sales taxes of \$9.0 million.

Sales tax receipts are driven by numerous economic conditions. Sales taxes dropped sharply in 2020 due to the downturn in the oil and gas industry as well as the effects of the Covid-19 pandemic. For 2021, sales taxes were budgeted at \$9.0 million, \$3.0 million lower than budgeted in 2020 due to volatility of oil and gas activity.

Midland Development Corporation
A Component Unit of the City of Midland, Texas
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2020

The expenditures budget for the General Fund of the MDC is \$22.7 million. The revenue budget for the 2020–2021 fiscal year is expected to fall short of expenditures by \$13.7 million.

Request for Information

This financial report is designed to provide a general overview of the MDC's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, MDC, 300 N. Loraine, Midland, TX 79702-1152.

Midland Development Corporation
A Component Unit of the City of Midland, Texas

Statement of Net Position
September 30, 2020

Assets

Cash and cash equivalents	\$ 25,028,228
Sales tax receivable	2,186,318
Prepayments	107,133
Notes receivable	506,579
Capital assets (net of accumulated depreciation)	<u>20,535,296</u>
Total assets	<u>\$ 48,363,554</u>

Liabilities and Net Position

Liabilities

Accounts payable	\$ 1,121,930
Retainage payable	66,176
Noncurrent liabilities	
Due within one year	92,803
Due in more than one year	<u>114,868</u>
Total liabilities	<u>1,395,777</u>

Net Position

Net investment in capital assets	20,305,158
Restricted for economic development	<u>26,662,619</u>
Total net position	<u>46,967,777</u>
Total liabilities net position	<u>\$ 48,363,554</u>

Midland Development Corporation
A Component Unit of the City of Midland, Texas
Statement of Activities
Year Ended September 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
General government	\$ 1,716,616	\$ -	\$ 86,539	\$ -	\$ (1,630,077)
Economic development	21,880,543	1,073,373	-	16,502	(20,790,668)
Total governmental activities	<u>\$ 23,597,159</u>	<u>\$ 1,073,373</u>	<u>\$ 86,539</u>	<u>\$ 16,502</u>	<u>(22,420,745)</u>
General Revenues					
Sales taxes					12,671,555
Investment earnings					207,618
Miscellaneous					<u>8,805</u>
Total general revenues					<u>12,887,978</u>
Change in net position					(9,532,767)
Net Position – Beginning					<u>56,500,544</u>
Net Position – Ending					<u>\$ 46,967,777</u>

Midland Development Corporation
A Component Unit of the City of Midland, Texas

Balance Sheet – General Fund
September 30, 2020

Assets

Cash and cash equivalents	\$ 25,028,228
Sales tax receivable	2,186,318
Prepayments	107,133
Notes receivable	<u>506,579</u>
Total assets	<u>\$ 27,828,258</u>

Liabilities and Fund Balance

Liabilities

Accounts payable	\$ 1,121,930
Retainage payable	<u>66,176</u>
Total liabilities	<u>1,188,106</u>

Fund Balance

Nonspendable	
Prepayments	107,133
Restricted	
Economic development	<u>26,533,019</u>
Total fund balance	<u>26,640,152</u>
Total liabilities and fund balance	<u>\$ 27,828,258</u>

Midland Development Corporation
A Component Unit of the City of Midland, Texas
Reconciliation of the Balance Sheet to the Statement of Net Position
September 30, 2020

Reconciliation of Fund Balance of the Governmental Fund to
the Governmental Activities in the Statement of Net Position

Fund balance of governmental fund	\$	26,640,152
Amounts reported for governmental activities in the statement of net position are different because		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.		20,535,296
Long-term liabilities, including capital lease obligations and compensated absences, are not due and payable in the current period and, therefore, are not reported in the fund.		<u>(207,671)</u>
Net position of governmental activities	\$	<u><u>46,967,777</u></u>

Midland Development Corporation
A Component Unit of the City of Midland, Texas
Statement of Revenues, Expenditures and Changes in Fund Balance –
General Fund
Year Ended September 30, 2020

Revenues	
Sales taxes	\$ 12,671,555
Interest income	207,618
Rentals	1,073,373
Intergovernmental	86,539
Other	8,805
	14,047,890
Total revenues	14,047,890
Expenditures	
General government	
Administration	1,273,270
Economic development	21,880,543
Capital outlay	1,852,507
Debt service	
Capital lease	67,168
Interest	10,031
	25,083,519
Total expenditures	25,083,519
Net change in fund balance	(11,035,629)
Fund Balance, Beginning	37,675,781
Fund Balance, End	\$ 26,640,152

Midland Development Corporation
A Component Unit of the City of Midland, Texas
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance to the Statement of Activities
Year Ended September 30, 2020

Net change in fund balance – governmental fund	\$ (11,035,629)
<p>Amounts reported for <i>governmental activities</i> in the the statement of activities are different because</p>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	1,404,374
The net effect of various miscellaneous transactions involving capital assets (i.e. sales and donations) is to increase net position.	16,502
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net position.	67,168
Current year changes in long-term liabilities for compensated absences required the use of current financial resources; but they are not reported as expenses in the statement of activities.	<u>14,818</u>
Change in net position of governmental activities	<u><u>\$ (9,532,767)</u></u>

Midland Development Corporation

A Component Unit of the City of Midland, Texas

Notes to Financial Statements

September 30, 2020

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

The Midland Development Corporation (MDC), a component unit of the City of Midland, Texas (City), is a legally separate nonprofit corporation organized under the *Texas Development Corporation Act of 1979*, Article 5190.6 Vernon's Texas Revised Civil Statutes Annotated as amended and governed by Section 4A of the Act. The MDC was incorporated in February 2002. The purpose of the MDC is to:

1. Keep existing jobs in Midland;
2. Keep existing businesses in Midland;
3. Foster the expansion of businesses currently located in Midland;
4. Attract new industry and businesses to Midland;
5. Provide long-term employment opportunities for Midlanders;
6. Promote and develop industrial and manufacturing enterprises in order to eliminate unemployment and underemployment;
7. Promote and encourage employment and the public welfare of, for, and on behalf of the City;
8. Promote areas of the City with a large number of substandard, deteriorated, or deteriorating structures, which impairs the sound growth of the City or constitutes an economic and social liability;
9. Develop areas of the City that should be developed in order to meet the development objectives of the City; and
10. Consider the impact on any local business before providing an incentive to any corporation or entity. The financial reporting entity presented in the accompanying financial statements of the MDC includes the primary corporate entity, the Midland Development Corporation. The MDC has no component units.

The accounting policies of the MDC, as reflected in the accompanying financial statements, conform to U.S. generally accepted accounting principles for local government units as prescribed by the Governmental Accounting Standards Board (GASB), the accepted body for promulgating governmental accounting and reporting principles.

Midland Development Corporation A Component Unit of the City of Midland, Texas

Notes to Financial Statements

September 30, 2020

The entirety of the MDC Board is appointed by the City Council and the City can impose its will upon the MDC. Additionally, the City Council and the MDC Boards are not substantively the same and the MDC does not provide services entirely or almost entirely to the City. Therefore, MDC is a discretely presented component unit of the City. The MDC began operations on February 1, 2002.

Basic Financial Statements

The basic financial statements are presented at two basic levels:

1. The government-wide level, where all statements are prepared using the economic resources measurement focus and the accrual basis of accounting. These statements present all assets, liabilities, revenues, expenses, and gains and losses of the MDC as governmental activities.
2. The fund level, where governmental fund statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting.

Government-wide and Fund Financial Statements

As previously discussed, the basic financial statements of the MDC are presented at two basic levels, the government-wide level and the fund level. These statements focus on the MDC as a whole at the government-wide level and on the major fund at the fund level. Government-wide financial statements (*i.e.*, the statement of net position and the statement of activities) report information on all activities of the MDC. There is no interfund activity in the MDC financial statements. Governmental activities, which are normally supported by taxes, are the only reported activities.

The government-wide statement of net position reports all financial and capital resources of the MDC and is presented in “assets less liabilities equals net position” format. Assets and liabilities are presented in relative order of liquidity with liabilities that have an average maturity of more than one year separated into the amount due within one year and the amount due in more than one year.

The government-wide statement of activities identifies the relative financial burden of each of the MDC’s functions on the taxpayers by identifying direct expenses and the extent of self-support through program revenues. Direct expenses are clearly identifiable expenses that can be specifically associated with a function. Program revenues are revenues derived directly from the function or other sources that reduce the net cost of the function to be financed from general government revenues. Program revenues are: 1) charges to customers who purchase, use, or directly benefit from services provided by a function and which are generated by that function, 2) grants and contributions restricted to operating requirements of a function, and 3) grants and contributions restricted to capital requirements of a function. Items such as taxes, investment earnings, and nonspecific grants are not included as program revenues but are reported as general revenues that normally cover the net cost of a function.

Midland Development Corporation

A Component Unit of the City of Midland, Texas

Notes to Financial Statements

September 30, 2020

Fund level financial statements are presented for the governmental fund, with a focus on the major fund. A major fund is a fund meeting certain specific asset, liability, revenue, or expenditure criteria relative to all funds of that type. The only major fund used by the MDC is the General Fund which is the only operating fund of the MDC. This fund accounts for the economic development activities of the MDC: collection of sales tax revenues and expenses associated with marketing and promotion of Midland.

Measurement Focus and Basis of Accounting

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using a current financial resources measurement focus and modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, *i.e.*, both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. In the case of sales taxes, available means due within the current period and collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Expenditures are generally recorded when a fund liability is incurred. Governmental fund revenues, which have been accrued based upon the susceptible to accrual concept, are sales taxes.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Equity in Cash and Investments

The City pools a portion of the resources of its various funds and component units, including MDC, to facilitate the management of cash and enhance investment earnings. Records are maintained that reflect each fund or component unit’s equity in the pooled investments.

Midland Development Corporation
A Component Unit of the City of Midland, Texas
Notes to Financial Statements
September 30, 2020

Cash, Cash Equivalents, and Investments

Cash and cash equivalents include any cash on hand, demand deposits, and any highly liquid investments that have an original maturity of three months or less from date of purchase. Investments in Texas Local Government Investment Pool (TexPool), TexStar, and TexClass are considered cash equivalents as the amounts are available on demand. Investments, other than investments in TexPool, TexStar, Texas CLASS are recorded at fair value based upon verifiable market prices.

Notes Receivable

MDC provides loans to new and expanding businesses that meet certain qualifications aligned with MDC’s purpose. In some instances, the loans are given in the form of forgivable loans and are forgiven if all requirements are met.

Capital Assets

Capital assets are defined as a purchase or other acquisition of land, equipment, facilities, or other similar assets or the cost of construction of such asset the cost of which is in excess of \$5,000 and has a useful life of more than one year. These assets include property, plant, equipment, and all other tangible assets purchased or acquired. Purchased or constructed assets are carried at historical cost. Contributed assets are recorded at acquisition value at the time of donation.

Major outlays for capital assets and improvements are capitalized as capital projects are completed. Depreciable capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Classification	Years
Buildings	40
Improvements other than buildings	20
Machinery and equipment	6
Infrastructure	50

Compensated Absences

The MDC’s employees earn paid time off, which may either be taken or accumulated, subject to a specified maximum, until paid upon retirement or termination. The MDC has accrued paid time off using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments based on the criteria set forth in GASB Statement No. 16. The liability has been accrued in the government-wide statements. A liability for those amounts is recorded in the governmental fund only if the liability has matured as a result of employee resignations or retirements.

Midland Development Corporation
A Component Unit of the City of Midland, Texas
Notes to Financial Statements
September 30, 2020

Net Position

Net position of the MDC is classified in two components on its statements of net position.

- Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.
- Restricted net position is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the MDC.

Nature and Purpose of Classifications of Fund Balances

Governmental funds fund balances classified as restricted can only be used for specific purposes pursuant to constraints imposed by state law for Type A development corporations. Fund balances classified as nonspendable include amounts that cannot be spent because they are not in a spendable form.

Net Position/Fund Balance Flow Assumption

It is the MDC's policy to consider restricted net position/fund balances to have been depleted before unrestricted net position/fund balances is applied.

Note 2: Deposits, Investments and Investment Income

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that, in the event of a bank's failure, the MDC's deposits may not be returned to it. As of September 30, 2020, the MDC's bank balance not held with the City's pooled cash was \$124,426 and was fully insured as of September 30, 2020. The remainder of MDC deposits, which are combined with the City's deposits, were fully insured or collateralized as of September 30, 2020. The carrying amount of the deposits as of September 30, 2020, was \$3,953,689.

Investments

The MDC's investment policies are governed by State statutes. The MDC is governed by the City's investment policies which further limit State statutes such that eligible investments include the following:

Midland Development Corporation

A Component Unit of the City of Midland, Texas

Notes to Financial Statements

September 30, 2020

Obligations of the United States or its Agencies and Instrumentalities

1. United States of America Treasury securities
2. Farmers Home Administration (FmHA) obligations backed by the full faith and credit of the United States
3. Federal Home Loan Bank (FHLBs) bonds
4. Federal National Mortgage Association (Fannie Mae or FNMA) notes and debentures
5. Farm Credit System Obligations
6. Federal Home Loan Mortgage Corporation (Freddie Mac or FHLMC) obligations, *i.e.*, discount notes or debentures.

Direct Obligations of the State of Texas or its Agencies

Texas State, City, County, or School District General Obligation Bonds with a remaining maturity of 10 years or less having been rated as to investment quality by Moody's or Standard and Poor's (nationally recognized investment rating firms) and having received a rating of no less than "A" or its equivalent.

Certificates of Deposit Issued by State and National Banks Domiciled in this State

Certificates of deposit issued by state and national banks domiciled in this state that are: (1) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or (2) secured by obligations that are described in V.T.C.A., Local Government Code Sections 105.001 et seq.

Fully Collateralized Repurchase Agreements having a Defined Termination Date

Fully collateralized direct repurchase agreements and reverse repurchase agreements with a defined termination date of no more than 90 days from the date such investment is purchased, secured by obligations of the United States or its agencies and instrumentalities with a market value of not less than the amount of the funds disbursed and held by a custodian for the MDC.

Repurchase agreements must be purchased through a primary government securities dealer, as defined by the Federal Reserve, or a bank domiciled in Texas. Money received under the terms of a reverse repurchase agreement shall be used to acquire additional eligible investments whose maturity does not exceed the expiration date of the reverse repurchase agreement.

Money Market Funds

Money market funds fully authorized by State statute of both public and private sponsorship.

Midland Development Corporation

A Component Unit of the City of Midland, Texas

Notes to Financial Statements

September 30, 2020

Other Securities or Obligations Approved by the City Council

Other such securities or obligations as authorized by State statute and approved by the City Council.

Investment Pools

The MDC invests in three governmental pools: TexPool, TexStar, and TexClass of which were created under the *Interlocal Cooperation Act*, Texas Government Code Ann. Ch. 791 and the Texas Government Code Ann. Ch. 2256.

The Texas Treasury Safekeeping Trust Company is trustee of TexPool and is a limited purpose trust company authorized pursuant to Texas Government Code Ann. Section 404.103 for which the Texas State Comptroller is the sole officer, director, and shareholder. The advisory board of TexPool is composed of members appointed pursuant to the requirements of the *Public Funds Investment Act*, Texas Government Code Ann. Ch. 2256. TexStar is governed by a five-member Board of Directors comprising three government officials or employees and two other persons with expertise in public finance. Additionally, TexStar has a five-member advisory board. Texas CLASS was created specifically for the use of Texas local government entities and seeks to provide safety, liquidity, convenience, and competitive rates of return. The program is designed to meet the needs of Texas public sector investors. It purchases securities that are legally permissible under state statute and available for investment by Texas counties, cities, school districts, municipal utility districts, college districts, and other public agencies. All three TexPool, TexStar, and TexClass are rated AAAM by Standard & Poor's.

Certain external investment pools and pool participants have an option to measure these investment pools at amortized cost rather than fair value if certain criteria are met. TexPool, with a balance of \$9,761,302, has opted to report at amortized cost, while TexStar, with a balance of \$8,583,845 and TexClass, with a balance of \$2,729,392 measures their investments at net asset value (NAV).

Investment income earned on pooled cash and investments is allocated to each fund based upon each fund's weighted average daily cash and investment balances.

Investments other than investments in TexPool, TexStar, and TexClass are valued based upon quotes obtained from Interactive Data Pricing and Reference Data (IDC). As of September 30, 2020, MDC had no investments other than TexPool, TexStar, and TexClass.

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits final stated maturities to ten years maximum with no more than 30 percent exceeding seven years and dollar weighted average portfolio maturity not to exceed five years in the investments listed above. The investment pools are presented as an investment with a maturity of less than one year because the average maturity of the pools is less than one year.

Midland Development Corporation
A Component Unit of the City of Midland, Texas
Notes to Financial Statements
September 30, 2020

Note 3: Receivables

The Receivables as of September 30, 2020, for the MDC include sales tax receivables of \$2,186,318 due from the State of Texas.

MDC provides funds to other entities in which requirements, contained within agreements between the MDC and recipients, are to be met or funds are required to be returned to the MDC. Receivables are recorded until requirements are met. At the time requirements are met, MDC reduces its receivables and recognizes economic development expenses. Notes receivable of \$506,579 at September 30, 2020, are economic development agreements with two external entities.

Note 4: Capital Assets

Capital assets activity for the year ended September 30, 2020:

	Beginning Balance	Additions	Retirements	Transfers/ Adjustments	Ending Balance
Governmental Activities					
Capital assets, not being depreciated					
Land	\$ 4,919,828	\$ -	\$ -	\$ -	\$ 4,919,828
Construction in progress	1,449,413	632,733	-	(968,125)	1,114,021
Total capital assets, not being depreciated	6,369,241	632,733	-	(968,125)	6,033,849
Capital assets, being depreciated					
Buildings	12,076,051	1,073,514	-		13,149,565
Improvements other than buildings	613,478	162,762	-	968,125	1,744,365
Machinery and equipment	162,581	-	-	-	162,581
Infrastructure	1,362,237	-	-	-	1,362,237
Total capital assets, being depreciated	14,214,347	1,236,276	-	968,125	16,418,748
Less accumulated depreciation for					
Buildings	(1,090,994)	(354,443)	-	-	(1,445,437)
Improvements other than buildings	(157,895)	(20,740)	-	-	(178,635)
Machinery and equipment	(30,568)	(19,373)	-	-	(49,941)
Infrastructure	(189,711)	(53,577)	-	-	(243,288)
Total accumulated depreciation	(1,469,168)	(448,133)	-	-	(1,917,301)
Total capital assets, being depreciated, net	12,745,179	788,143	-	968,125	14,501,447
Governmental activities capital assets, net	\$ 19,114,420	\$ 1,420,876	\$ -	\$ -	\$ 20,535,296

Depreciation expense of \$448,133 was charged to the economic development function/program of the governmental activities.

Midland Development Corporation
A Component Unit of the City of Midland, Texas
Notes to Financial Statements
September 30, 2020

Note 5: Employee Benefit Plan

The MDC participates in a multiple-employer defined contribution salary deferral plan created in accordance with Internal Revenue Code Section 401(k). The plan is administered by the American Chamber of Commerce Executives Profit Sharing Plan. Active participants must be at least 21 years of age with a minimum of one year of eligibility service. The MDC contributes 9 percent of each eligible employee's total annual compensation to the plan. Employees may also make elective deferral contributions up to specified limits of their total compensation each year. The MDC will match those contributions up to a maximum of 3 percent of each participant's total annual compensation. The MDC contributed a total of \$43,500 to the plan during fiscal year 2020.

Employees are immediately vested in their own contributions and earnings on those contributions and become vested in MDC contributions at 25 percent after one year of eligible service, 50 percent after two years, 75 percent after three years, and 100 percent after four years of eligible. Nonvested MDC contributions are forfeited upon termination of employment. Such forfeitures are used to cover a portion of the pension plan's administrative expenses. There were no forfeitures during 2020.

Note 6: Long-term Obligations

The following is a summary of long-term obligation transactions for the MDC for the year ended September 30, 2020:

	Beginning Balance	Additions/ Completions	Retirements/ Adjustments	Ending Balance	Due Within One Year
Governmental Activities					
Compensated absences	\$ 58,527	\$ 60,764	\$ (75,582)	\$ 43,709	\$ 30,159
Capital lease	231,130	-	(67,168)	163,962	62,644
Governmental activities long-term liabilities	<u>\$ 289,657</u>	<u>\$ 60,764</u>	<u>\$ (142,750)</u>	<u>\$ 207,671</u>	<u>\$ 92,803</u>

Note 7: Capital Lease Liabilities

The MDC has a Commercial Hangar Lease Agreement with the City of Midland for economic development purposes and to provide aviation services as permitted within the agreement. This agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

A summary of assets acquired through capital lease is as follows:

Buildings	\$ 429,994
Less: Accumulated depreciation	<u>(303,278)</u>
	<u>\$ 126,716</u>

Midland Development Corporation
A Component Unit of the City of Midland, Texas
Notes to Financial Statements
September 30, 2020

Future minimum lease obligations and the net present value of these payments as of September 30, 2020, were as follows:

<u>Fiscal Year Ending September 30,</u>		
2021	\$	77,199
2022		77,199
2023		19,300
Total minimum lease payments		<u>173,698</u>
Less interest at 5.00%		<u>(9,736)</u>
	<u>\$</u>	<u>163,962</u>

A portion of the leased space is subleased under two leases expiring over the next 14 to 15 years. Current year income for these leases was \$1,073,373. Per the terms of sublease agreements, MDC will rebate or abate a portion of the sublessee's rent for the first three to five years of the lease if they meet certain conditions related to economic development. For the year ended September 30, 2020, \$1,071,586 was rebated or abated.

Minimum future rentals receivable, prior to rebates or abatements, under operating subleases at September 30, 2020, were as follows:

<u>Fiscal Year Ending September 30:</u>		
2021	\$	1,363,550
2022		1,363,550
2023		1,363,550
2024		1,363,550
2025		1,363,550
2026-2030		6,817,748
2031-2035		<u>3,792,650</u>
	<u>\$</u>	<u>17,428,148</u>

Midland Development Corporation A Component Unit of the City of Midland, Texas

Notes to Financial Statements

September 30, 2020

Note 8: Risk Management

The MDC is exposed to various risks of loss related to torts. For the purposes of the *Texas Tort Claims Act* (Subchapter A, Chapter 101, Texas Civil Practices and Remedies Code), the MDC is a governmental unit and its actions are governmental functions and, therefore, are limited by governmental immunity. As of September 30, 2020, there were no claims outstanding. There has been no significant reduction in coverage from 2019 to 2020; nor have settlement amounts exceeded coverage for each of the past three years.

Note 9: Commitments and Contingencies

Litigation

No legal action arose in the ordinary course of the MDC's business during the fiscal year ended September 30, 2020.

Commitments

At September 30, 2020, the MDC had contracts for economic development commitments of \$27,853,342.

Economic Environment

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, results of operations, and cash flows of the MDC. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time but could be significant.

Note 10: Related Party Transactions

A majority of the MDC board is appointed by the City and the City can impose its will upon MDC. Accordingly, MDC is a discretely presented component unit of the City.

During fiscal year 2020, note receivable balances of \$5,911,873 from the City to MDC were fully forgiven, and recorded as economic development expense.

Midland Development Corporation
A Component Unit of the City of Midland, Texas
Notes to Financial Statements
September 30, 2020

Note 11: Future Change in Accounting Principle

The Governmental Accounting Standards Board issued its Statement No. 84 (GASB 84), *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on: (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The MDC expects to first apply GASB 84 during the year ending September 30, 2021, using a prospective recognition method. The impact of applying the Statement has not been determined.

The Governmental Accounting Standards Board also issued its Statement No. 87 (GASB 87), *Leases*. This new Statement establishes a single model for lease accounting based on the principle that leases represent the financing of the right to use an underlying asset. GASB 87 includes the accounting guidance for both lessees and lessors. The MDC expects to first apply GASB 87 during the year ending September 30, 2022, using the facts and circumstances in place at the time of adoption, rather than retroactive to the time each lease was begun. The impact of applying the Statement has not been determined.

Required Supplementary Information

Midland Development Corporation
A Component Unit of the City of Midland, Texas
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual – General Fund
Year Ended September 30, 2020

	Original / Final Budget	Actual	Variance
Revenues			
Sales taxes	\$ 12,000,000	\$ 12,671,555	\$ 671,555
Interest income	300,000	207,618	(92,382)
Rentals	-	1,073,373	1,073,373
Intergovernmental	-	86,539	86,539
Other	-	8,805	8,805
	<hr/>	<hr/>	<hr/>
Total revenues	12,300,000	14,047,890	1,747,890
	<hr/>	<hr/>	<hr/>
Expenditures			
Administration	2,362,050	1,273,270	1,088,780
Economic development	25,290,586	21,880,543	3,410,043
Capital outlay	47,000	1,852,507	(1,805,507)
Debt service	72,000	77,199	(5,199)
	<hr/>	<hr/>	<hr/>
Total expenditures	27,771,636	25,083,519	2,688,117
	<hr/>	<hr/>	<hr/>
Excess of revenues (deficiencies) over (under) expenditures	(15,471,636)	(11,035,629)	4,436,007
	<hr/>	<hr/>	<hr/>
Net change in fund balance	(15,471,636)	(11,035,629)	4,436,007
	<hr/>	<hr/>	<hr/>
Fund Balance, Beginning	37,675,781	37,675,781	-
	<hr/>	<hr/>	<hr/>
Fund Balance, Ending	\$ 22,204,145	\$ 26,640,152	\$ 4,436,007
	<hr/>	<hr/>	<hr/>

Midland Development Corporation
A Component Unit of the City of Midland, Texas
Notes to Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual – General Fund
Year Ended September 30, 2020

Notes to Schedule:

The annual budget is legally adopted by the MDC Board and approved by the City Council of the City of Midland (City) on a basis consistent with U.S. generally accepted accounting principles.

The MDC Board follows these procedures in establishing the budget reflected for the MDC:

1. At least sixty (60) days prior to October 1 of each year, the MDC Board, with the assistance of the MDC Treasurer, prepares and adopts a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and other such budgetary information as required by the City Council for approval and adoption.
2. The proposed budget is then submitted to the City Council for approval and is considered adopted upon formal approval by the City Council.
3. Expenditures may not exceed the appropriation for the adopted annual operating budget.
4. Supplemental appropriations during the year must be approved and adopted by the MDC Board and the City Council through passage of resolution.

Midland
Development
Corporation
Assistance
Application



MIDLAND™

DEVELOPMENT CORPORATION

INCENTIVES APPLICATION

Midland Development Corporation Incentives for New and Expanding Businesses

Instructions for applicants: please read the following information regarding available incentives from the MDC and indicate on your application which type or types of incentives for which your business is applying.

- Job Creation Incentives

The MDC may provide grants for new full-time job creation to qualifying companies that fall within the following NAICS designations:

111	Crop Production
112	Animal Production
113	Forestry and Logging
11411	Commercial Fishing
115	Support Activities for Agriculture & Forestry
211-213	Mining
221	Utilities
311-339	Manufacturing
42	Wholesale Trade
48-49	Transportation & Warehousing
51 (excl 512131 & 512132)	Information (excluding motion picture theaters and drive-in theaters)
523-525	Securities, Commodity Contracts, and other Financial Investments and Related Activities; Insurance carriers and Related Activities; Funds, Trusts, and Other Financial Vehicles
5413, 5415, 5416, 5417, & 5419	Architectural, Engineering, and Related Services; Computer System Design and Related Services; Management, Scientific, and Technical Consulting Services; Scientific Research and Development Services; Other Professional, Scientific, and Technical Services
551	Management of Companies and Enterprises
56142	Telephone Call Centers
922140	Correctional Institutions

- Skills Training

The MDC may provide funding to help expand the skills of a business's current or potential workforce if the business commits to:

- Creating new jobs that pay wages that are at least equal to the prevailing wage for the applicable occupation in the Midland labor market area; or

- Increasing its payroll to pay wages that are at least equal to the prevailing wage for the applicable occupation in the Midland labor market area

- **Performance Agreements**

Performance agreements are contracted incentives between the MDC and companies that create primary jobs in Midland. Qualifying companies are required to meet metrics, usually including number of new jobs created and capital investments, before any incentives are disbursed. Economic incentives offered by the MDC are negotiated on a case-by-case basis subject to the qualifications, conditions, and requirements to be fully described in an economic development agreement, and subject to the approval of the Midland Development Corporation Board of Directors and Midland City Council.

Company Information

Company Legal Name: _____

Federal Tax ID#: _____

Phone Number: _____

State of Incorporation: _____

Years in Midland: _____

Annual Sales: * _____

Total Employees: _____

**Provide a copy of the most recent annual report or audited financial statements; If company is a start-up, provide documents of incorporation*

Corporate Address: _____

Local Address (if different) _____

Website: _____

Email Address: _____

Please check type(s) of incentive for which business is applying:

- Job Creation Incentives
- Performance Agreements
- Skills Training

Business Structure

- Privately Held Corporation
- Publicly Held Corporation
- Limited Liability Corporation
- Sole Proprietorship
- Partnership
- Limited Partnership

Business Origin

- New Business or Start-up
- Opening New Location
- Relocation from within State
- Relocation from Out of State
- Expansion of Previous Location

Industry Code

North American Industry Classification (NAICS): _____

Project Background

1. Provide statement of the proposed development, including description of existing site, all proposed building and infrastructure improvements planned on the site (acreage and company ownership), as well as similar projects this company has developed. ***(On a separate sheet)***

2. What is the projected investment for the project? Provide available cost detail. ***(On a separate sheet)***

3. Is there an obstacle (physical, financial, legislative, etc.) that currently prevents this development?
 Yes No
 If yes, please explain and attach documentation that explains the obstacle and any assumptions of why this obstacle is a barrier.

4. Has the company benefited or applied for any federal, state, or local incentives for this project including but not limited to tax abatements?
 Yes No
 If yes, please attach appropriate documentation that formally explains the total benefit of incentives.

5. Please give the location of the planned investment

*attach site plans or plat survey

Job Creation Grant or Skills Grant

6. If applying for **Job Creation Incentive**, please list anticipated number of jobs created and maintained over the next 5 years, broken down by job title, annual wages, and projected hire date. ***(On a separate sheet)***

7. If applying for **Skills Training**, please list anticipated number of jobs created and maintained over the next 5 years, AND existing jobs for which wages will be increased after Skills Training has been completed. Please break down all jobs by title, annual wages, and projected hire dates (or for existing jobs, projected wage increase date). ***(On a separate sheet)***

Expected Timetable and Investment

- 8. Project Construction Begins _____
- 9. Project Construction Ends _____
- 10. Project Operations Begin _____
- 11. Project Becomes Fully Operational _____

Estimated Appraised Value on Site	Land	Improvements	Total
Value on January 1 of current year (Per Midland County Appraisal District Records)	\$	\$	\$
Estimated value of new investment: Building & Facility		\$	\$
Estimated value of new fixed and in place machinery and equipment		\$	\$
Estimated value of inventory and personal property		\$	\$
Estimated value of property subject to ad valorem tax at end of expansion		\$	\$

Financial Pro Forma

12. Is a financial pro forma completed and attached?

Yes No

Company Representative authorized for contact:

Print Name: _____

Title: _____

Contact Telephone: _____

Email: _____

To the best of my knowledge, the information included and attached is true and correct in this application, as evidenced by my signature below.

Authorized Company Official:

Signature: _____

Print Name: _____

Title: _____

Contact Telephone: _____

Email: _____

Application Date: _____

Income Statement

MIDLAND DEVELOPMENT CORPORATION
INCOME STATEMENT FOR THE 6 MONTHS ENDED
March 31, 2021

	Mar-21	YTD	Budgeted Amount
Revenue	\$866,534.82	\$6,289,560.76	\$9,000,000.00
40100 - State Sales Tax	\$783,914.25	\$5,790,418.26	\$9,000,000.00
43000 - Interest	\$290.09	\$2,125.17	\$0.00
43010 - Interest - Nonpooled Invest	\$943.48	\$8,695.33	\$0.00
46190 - Miscellaneous Rentals	\$81,387.00	\$488,322.00	\$0.00
4235150 - Midland Dvlpmt Corp Revenue	\$866,534.82	\$6,289,560.76	\$9,000,000.00

Expense	\$149,000.87	\$5,829,749.95	\$22,656,815.00
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51010 - Base Salary	\$29,687.59	\$238,909.25	\$692,150.00
51090 - Fica MDC Portion	\$2,337.75	\$14,418.88	\$65,456.00
51110 - Health Insurance	\$2,208.90	\$15,971.66	\$55,460.00
51135 - ACCE Profit Sharing	\$0.00	\$12,746.60	\$48,451.00
52010 - Office Supplies	\$338.40	\$1,124.80	\$11,000.00
52110 - Motor Vehicle Supplies	\$91.19	\$157.88	\$1,000.00
52115 - Minor Furniture & Fixtures	\$0.00	\$0.00	\$500.00
52155 - Minor Computer Hrdwre & Periph	\$0.00	\$0.00	\$5,000.00
52160 - Computer Software & Supplies	\$324.70	\$15,277.69	\$30,000.00
52620 - Postage	\$0.00	\$120.00	\$700.00
53010 - Communication	\$1,424.51	\$8,539.93	\$17,000.00
53030 - Light & Power	\$8.89	\$44.59	\$150.00
53110 - Insurance-External	\$2,835.00	\$106,235.83	\$190,000.00
53212 - Equipment Rental-External	\$345.34	\$2,069.64	\$5,000.00
53220 - Advertising	\$8,637.36	\$176,520.44	\$200,000.00
53370 - Grounds Maintenance	\$985.00	\$5,433.80	\$5,000.00
53405 - Software Maintenance	\$2,503.44	\$7,599.71	\$12,000.00
53440 - External Audit Fees	\$8,983.00	\$14,025.00	\$20,000.00
53450 - Consulting Fees	\$3,404.87	\$76,327.96	\$500,000.00
53510 - Travel & Entertainment	\$62.83	\$471.66	\$15,000.00
53520 - Dues & Subscriptions	\$175.34	\$8,556.93	\$20,000.00
53530 - Training,Registration Fees,Etc	\$0.00	\$1,205.00	\$10,000.00
53905 - Economic Development Incentive	\$2,000.00	\$3,602,623.59	\$18,553,329.00
53907 - Business Recruitment & Retentn	\$2,611.84	\$14,639.93	\$50,000.00
53920 - Rent	\$4,087.08	\$35,395.68	\$75,000.00
54010 - Building Maintenance	\$22,522.61	\$76,498.70	\$45,000.00
55120 - Maint. - Instruments & Appara.	\$55.65	\$194.86	\$3,000.00
56188 - MOTRAN	\$0.00	\$68,500.00	\$137,000.00
56202 - General Fund Services	\$32,557.08	\$195,342.48	\$390,619.00
56410 - Payment of Principal	\$0.00	\$0.00	\$60,000.00
56420 - Interest Expense	\$0.00	\$0.00	\$12,000.00
56910 - Depreciation Expense	\$0.00	\$112,032.79	\$0.00
56995 - Project Non Capital - Promotions	\$0.00	\$150,327.00	\$27,000.00
57000 - Capital Land Purchases	\$20,812.50	\$20,812.50	\$0.00
57001 - Capital Buildings & Structures	\$0.00	\$754,618.99	\$0.00
57002 - Capital Improve Other Than Bldg	\$0.00	\$93,006.18	\$1,400,000.00
57070 - Construction in Process	\$88,701.70	\$463,645.70	\$0.00
235235 - Midland Development Corp	\$237,702.57	\$6,293,395.65	\$22,656,815.00

March 2021 Net Income: \$717,533.95

Year-to-Date Net Income: \$459,810.81

Balance Sheet

MIDLAND DEVELOPMENT CORPORATION
BALANCE SHEET FOR THE PERIOD ENDED
March 31, 2021
(Used for Internal Purposes Only)

ASSETS

Current Assets

Cash and cash equivalents	23,830,630	
Sales tax receivable	2,186,318	
Prepaid expenses	107,133	
Accounts receivable	-	
	-	26,124,081

Non-Current Assets

Capital Assets, net	21,223,391	
Forgivable Loans		
Made to Primary Government	-	
Made to Other	506,579	
Total Forgivable Loans	506,579	
		21,729,970

Total Assets		\$ 47,854,051
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LIABILITIES AND NET POSITION

Liabilities

Accounts payable	133,073	
Retainage Payable	11,112	
Capital Leases payable	173,698	
Commitments payable		
Due within one year	10,924,918	
Due in more than one year	25,729,902	
Total Commitments Payable	36,654,820	
		36,972,703

Net Position

Net investment in capital assets	21,223,391	
Restricted for Forgivable Loans	506,579	
Restricted for Capital Leases	173,698	
Promotions	2,003,275	
Unrestricted	(13,025,596)	
	10,881,348	

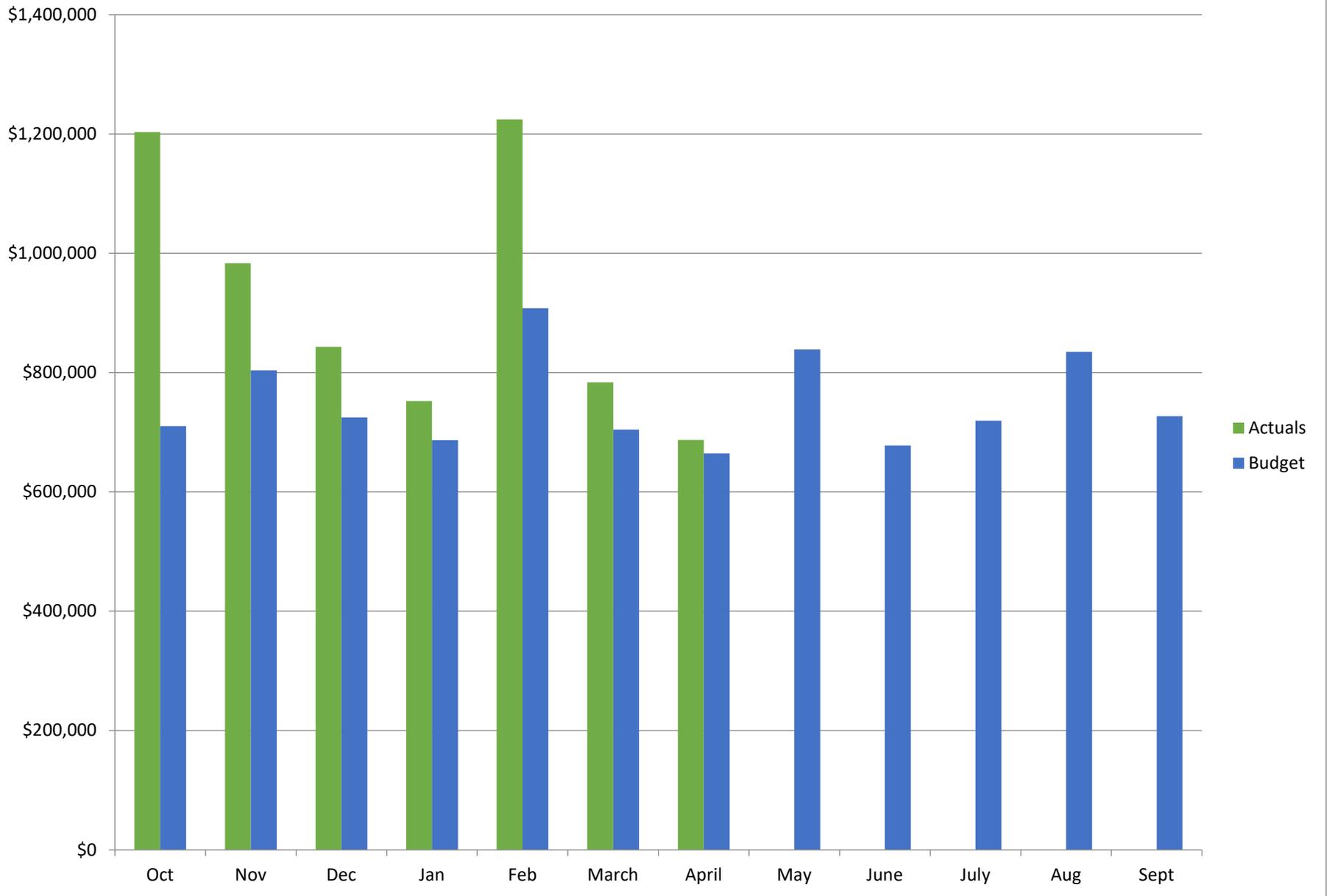
Total Liabilities and Net Position		\$ 47,854,051
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Sales Tax

Sales Tax Variance

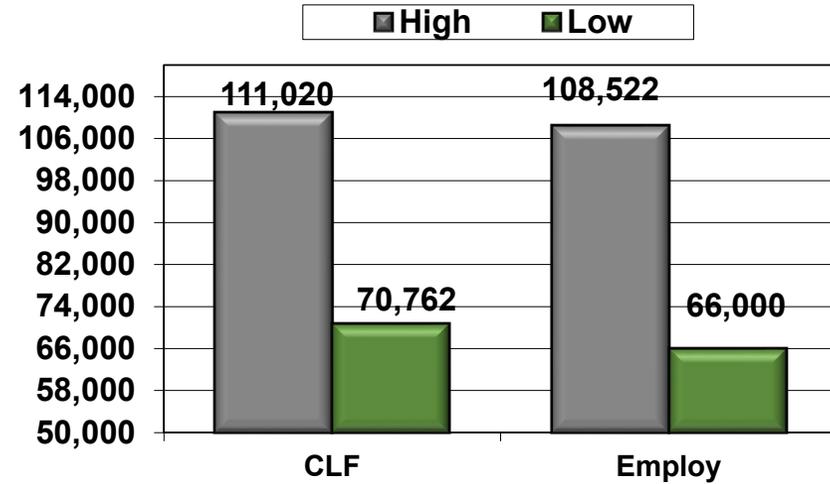
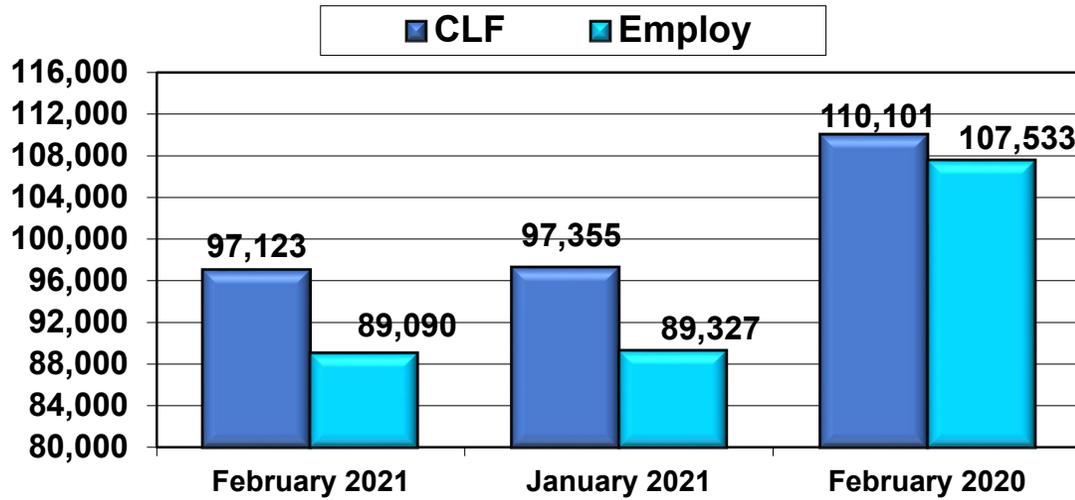
	2018-2019	2019-2020	% Change	2019-2020	2020-2021	% Change	YTD Change
October	\$1,168,778.63	\$1,219,993.44	4.38%	\$1,219,993.44	\$1,203,058.10	-1.39%	-1.39%
November	\$1,315,318.62	\$1,266,357.10	-3.72%	\$1,266,357.10	\$983,259.60	-22.36%	-12.07%
December	\$1,185,882.84	\$1,263,226.93	6.52%	\$1,263,226.93	\$843,087.27	-33.26%	-19.21%
January	\$1,143,749.27	\$1,036,178.70	-9.41%	\$1,036,178.70	\$752,584.05	-27.37%	-20.97%
February	\$1,442,774.27	\$1,279,615.49	-11.31%	\$1,279,615.49	\$1,224,314.99	-4.32%	-17.46%
March	\$1,209,440.03	\$966,824.94	-20.06%	\$966,824.94	\$783,914.25	-18.92%	-17.66%
April	\$1,135,613.41	\$1,006,559.17	-11.36%	\$1,006,559.17	\$687,198.37	-31.73%	-19.42%
May	\$1,381,858.75	\$1,251,139.57	-9.46%	\$1,251,139.57			
June	\$1,175,734.10	\$897,050.21	-23.70%	\$897,050.21			
July	\$1,242,133.20	\$876,285.08	-29.45%	\$876,285.08			
August	\$1,359,171.41	\$1,074,175.26	-20.97%	\$1,074,175.26			
September	\$1,315,787.31	\$834,182.16	-36.60%	\$834,182.16			
Annual Total	\$15,076,241.84	\$12,971,588.05	-13.96%	\$12,971,588.05	\$6,477,416.63		

Sales Tax Actuals vs Budget Estimates



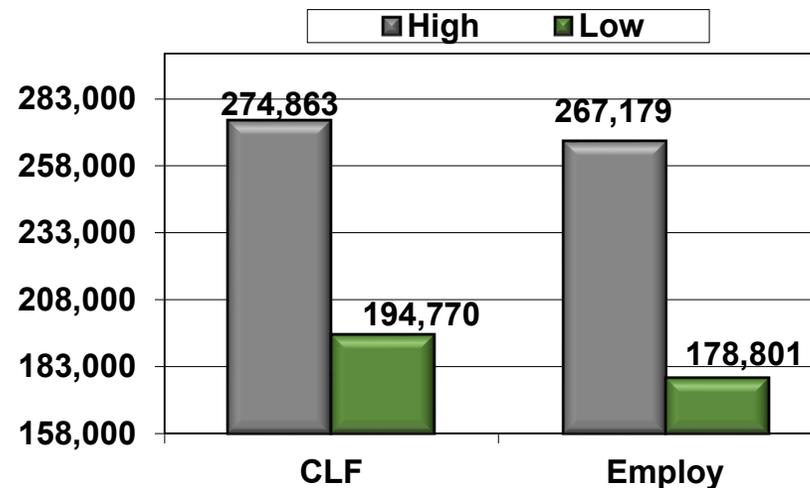
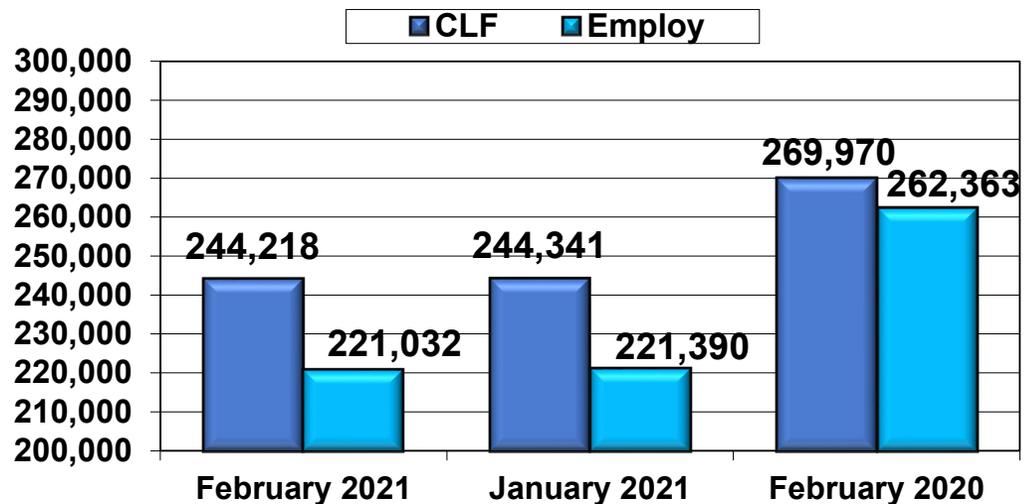
Activity Report

February 2021 Midland MSA Employment Information



	February 2021	January 2021	February 2020	High	Low
Civilian Labor Force	97,123	97,355	110,101	111,020 (Feb 2020)	70,762 (Jan 2010)
Employment	89,090	89,327	107,533	108,522 (Dec 2019)	66,000 (Jan 2010)
Unemployment	8,033	8,028	2,568	12,725 (May 2020)	1,788 (May 2019)
Unemployment Rate	8.3%	8.2%	2.3%	12.4% (May 2020)	1.7% (Apr 2019)

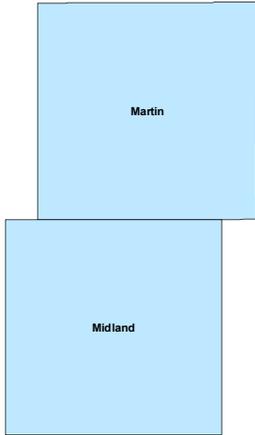
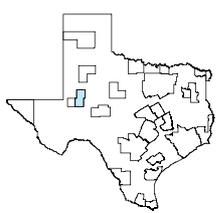
February 2021 Permian Basin Workforce Development Area Employment Information



	February 2021	January 2021	February 2020	High	Low
Civilian Labor Force	244,218	244,341	269,970	274,863 (Feb 2020)	194,770 (Jan 2010)
Employment	221,032	221,390	262,363	267,179 (Feb 20120)	178,801 (Jan 2010)
Unemployment	23,186	22,951	7,607	34,542 (May 2020)	5,115 (Apr 2019)
Unemployment Rate	9.5%	9.4%	2.8%	13.4% (May 2020)	1.9% (Apr 2019)

Midland MSA

February 2021



MSA Labor Force Statistics

	Feb-21	Jan-21	Feb-20	Yearly Change
Civilian Labor Force	97,123	97,355	110,101	-12,978
Employed	89,090	89,327	107,533	-18,443
Unemployed	8,033	8,028	2,568	5,465
Unemployment Rate	8.3%	8.2%	2.3%	6.0%

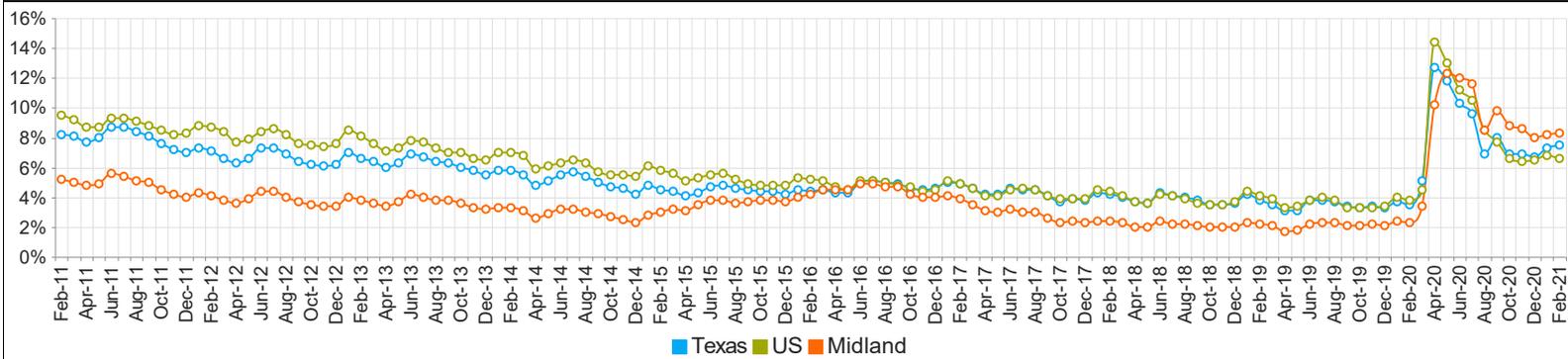
Texas Labor Force Statistics

	Feb-21	Jan-21	Feb-20	Yearly Change
Civilian Labor Force	14,049,170	14,026,650	14,262,779	-213,609
Employed	12,989,548	13,000,673	13,761,203	-771,655
Unemployed	1,059,622	1,025,977	501,576	558,046
Unemployment Rate	7.5%	7.3%	3.5%	4.0%

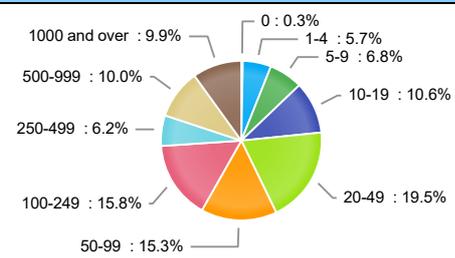
US Labor Force Statistics

	Feb-21	Jan-21	Feb-20	Yearly Change
Civilian Labor Force	160,008,000	159,234,000	164,235,000	-4,227,000
Employed	149,522,000	148,383,000	158,017,000	-8,495,000
Unemployed	10,486,000	10,851,000	6,218,000	4,268,000
Unemployment Rate	6.6%	6.8%	3.8%	2.8%

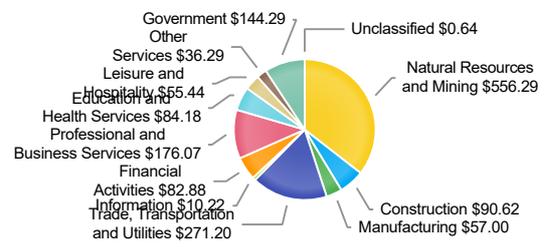
Historical Unemployment Rates



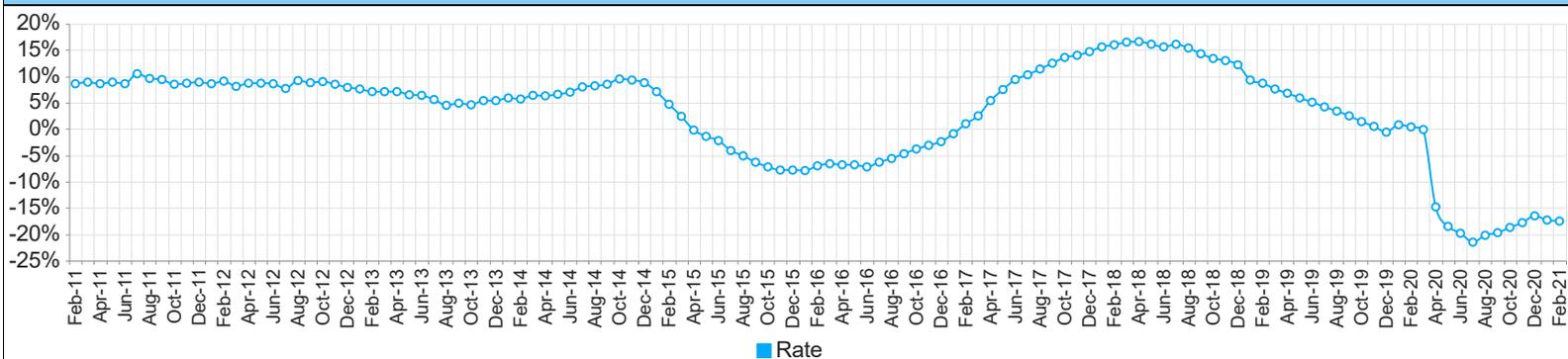
Employment by Size Class (3rd Quarter 2020)



Wages by Industry (in millions) (3rd Quarter 2020)



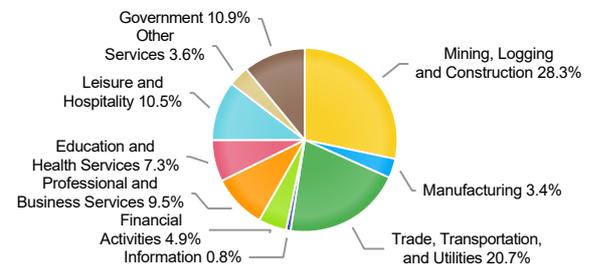
Annual Growth Rate Total Non-agricultural employment



Employment by Industry (February 2021)

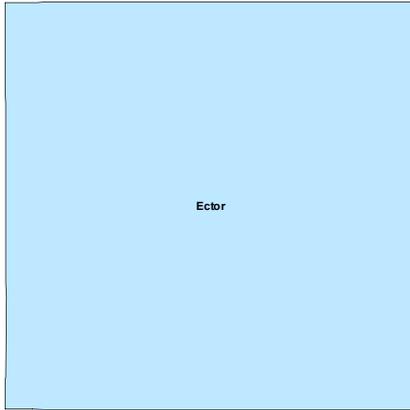
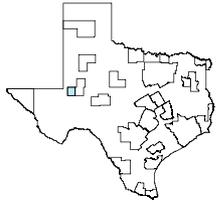
Industry	Current Month Employment	% Monthly Change	% Yearly Change
Total Nonfarm	93,300	0.3%	-17.5%
Mining, Logging and Construction	26,400	-1.5%	-30.5%
Manufacturing	3,200	0.0%	-23.8%
Trade, Transportation, and Utilities	19,300	0.5%	-12.7%
Information	700	0.0%	-30.0%
Financial Activities	4,600	0.0%	-9.8%
Professional and Business Services	8,900	2.3%	-16.8%
Education and Health Services	6,800	-1.4%	-8.1%
Leisure and Hospitality	9,800	4.3%	-9.3%
Other Services	3,400	3.0%	-15.0%
Government	10,200	0.0%	4.1%

Employment by Industry (February 2021)



Odessa MSA

February 2021

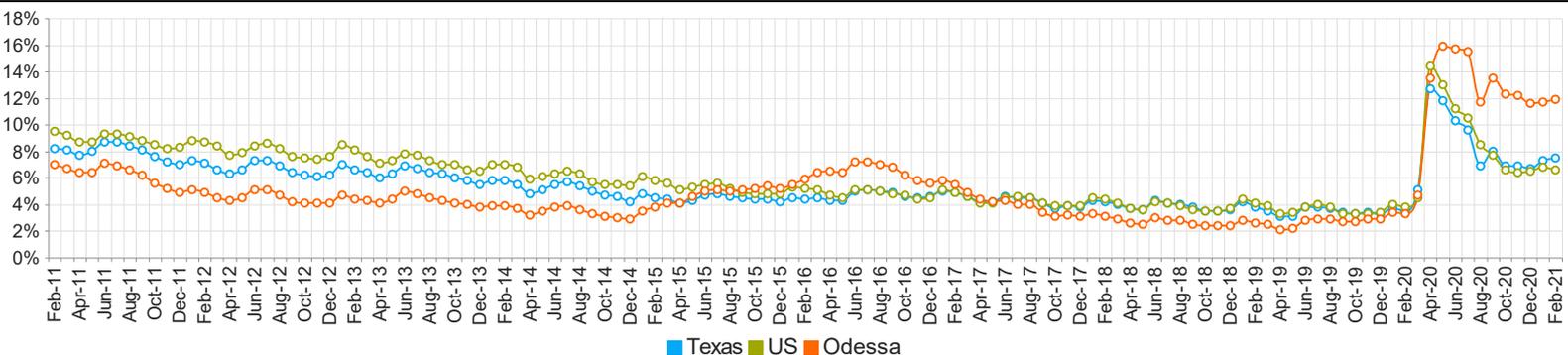


MSA Labor Force Statistics				
	Feb-21	Jan-21	Feb-20	Yearly Change
Civilian Labor Force	79,658	79,820	87,888	-8,230
Employed	70,201	70,458	84,990	-14,789
Unemployed	9,457	9,362	2,898	6,559
Unemployment Rate	11.9%	11.7%	3.3%	8.6%

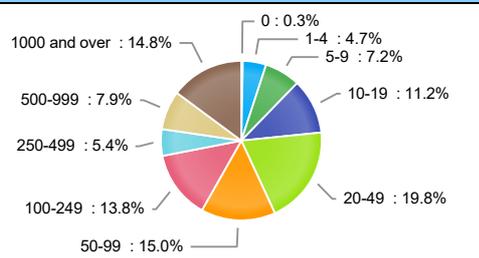
Texas Labor Force Statistics				
	Feb-21	Jan-21	Feb-20	Yearly Change
Civilian Labor Force	14,049,170	14,026,650	14,262,779	-213,609
Employed	12,989,548	13,000,673	13,761,203	-771,655
Unemployed	1,059,622	1,025,977	501,576	558,046
Unemployment Rate	7.5%	7.3%	3.5%	4.0%

US Labor Force Statistics				
	Feb-21	Jan-21	Feb-20	Yearly Change
Civilian Labor Force	160,008,000	159,234,000	164,235,000	-4,227,000
Employed	149,522,000	148,383,000	158,017,000	-8,495,000
Unemployed	10,486,000	10,851,000	6,218,000	4,268,000
Unemployment Rate	6.6%	6.8%	3.8%	2.8%

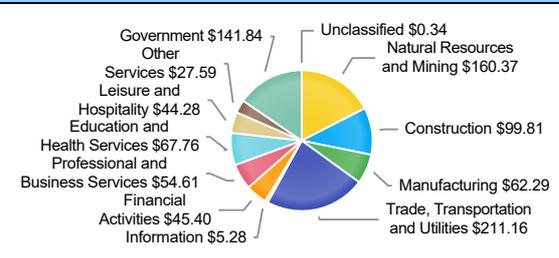
Historical Unemployment Rates



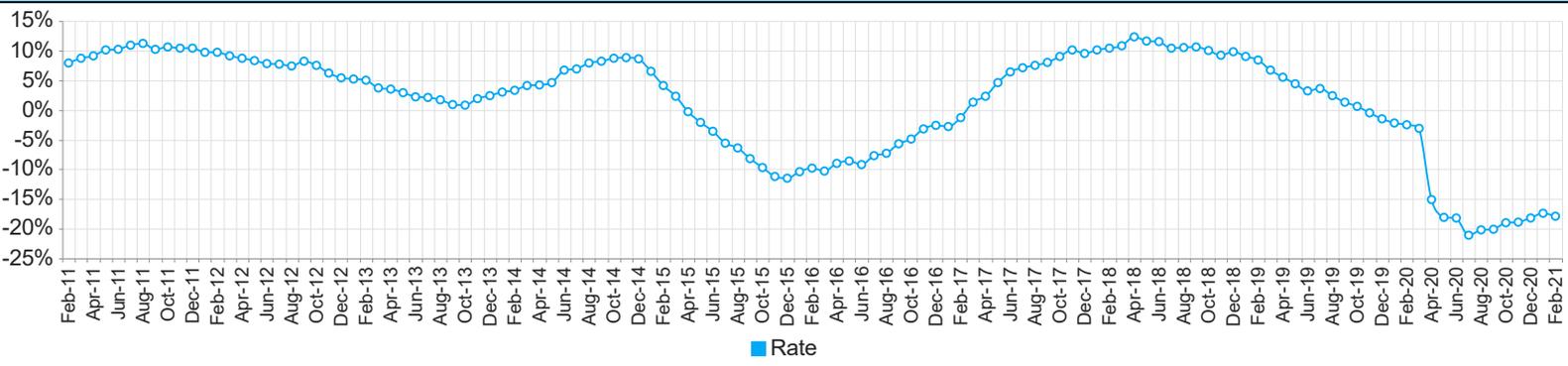
Employment by Size Class (3rd Quarter 2020)



Wages by Industry (in millions) (3rd Quarter 2020)



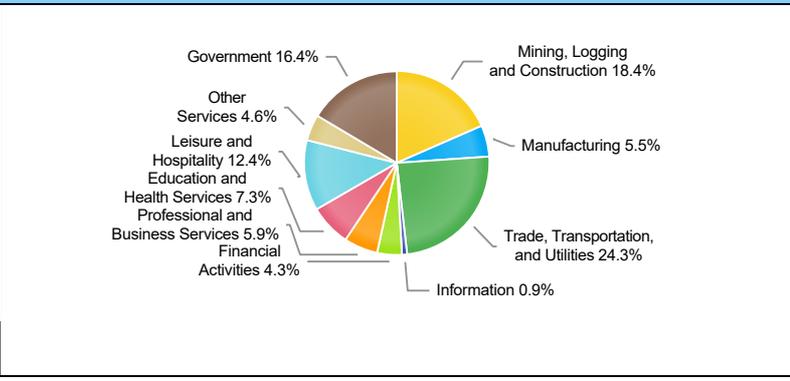
Annual Growth Rate Total Non-agricultural employment



Employment by Industry (February 2021)

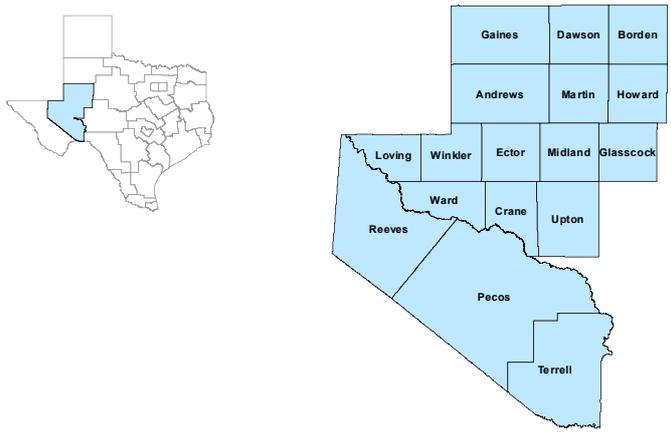
Industry	Current Month Employment	% Monthly Change	% Yearly Change
Total Nonfarm	67,500	0.0%	-17.9%
Mining, Logging and Construction	12,400	-3.9%	-39.8%
Manufacturing	3,700	0.0%	-26.0%
Trade, Transportation, and Utilities	16,400	0.0%	-12.3%
Information	600	0.0%	-25.0%
Financial Activities	2,900	0.0%	-19.4%
Professional and Business Services	4,000	5.3%	-18.4%
Education and Health Services	4,900	-2.0%	-7.5%
Leisure and Hospitality	8,400	2.4%	-6.7%
Other Services	3,100	0.0%	-13.9%
Government	11,100	1.8%	3.7%

Employment by Industry (February 2021)



Permian Basin Workforce Development Area

February 2021



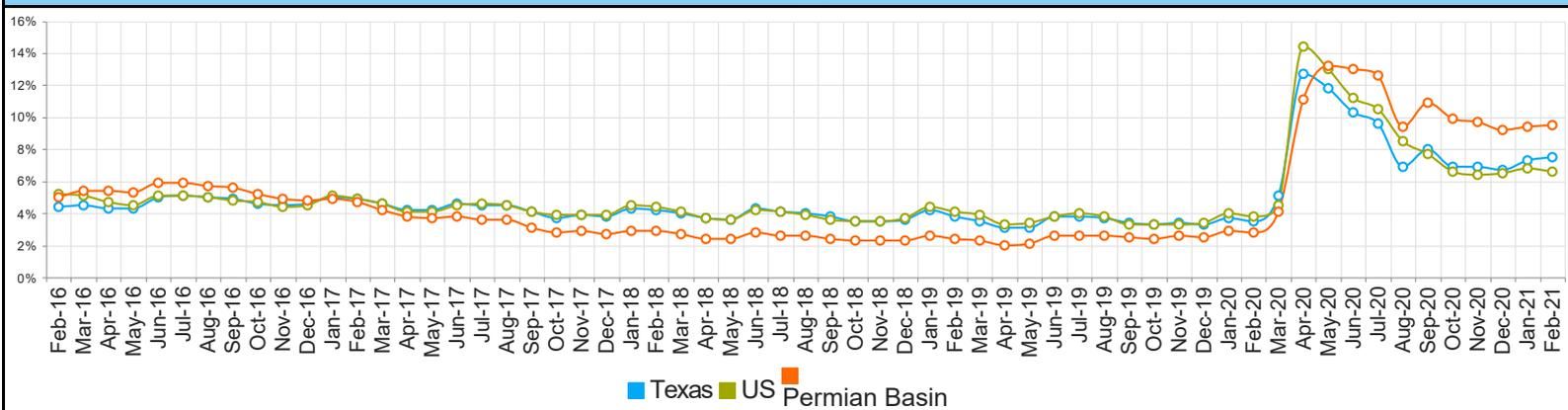
WDA Labor Force Statistics				
	Feb-21	Jan-21	Feb-20	Yearly Change
Civilian Labor Force	244,218	244,341	269,970	-25,752
Employed	221,032	221,390	262,363	-41,331
Unemployed	23,186	22,951	7,607	15,579
Unemployment Rate	9.5%	9.4%	2.8%	6.7%

Texas Labor Force Statistics				
	Feb-21	Jan-21	Feb-20	Yearly Change
Civilian Labor Force	14,049,170	14,026,650	14,262,779	-213,609
Employed	12,989,548	13,000,673	13,761,203	-771,655
Unemployed	1,059,622	1,025,977	501,576	558,046
Unemployment Rate	7.5%	7.3%	3.5%	4.0%

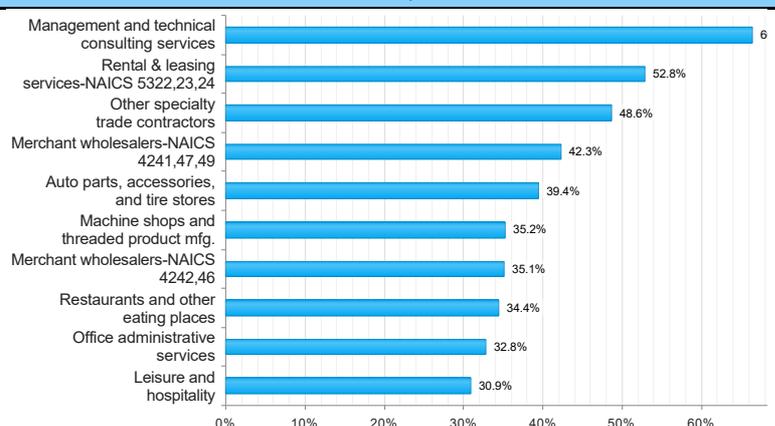
US Labor Force Statistics				
	Feb-21	Jan-21	Feb-20	Yearly Change
Civilian Labor Force	160,008,000	159,234,000	164,235,000	-4,227,000
Employed	149,522,000	148,383,000	158,017,000	-8,495,000
Unemployed	10,486,000	10,851,000	6,218,000	4,268,000
Unemployment Rate	6.6%	6.8%	3.8%	2.8%

Continued Claims for the Week of the 12th				
	Feb-21	Jan-21	Feb-20	Yearly Change
WDA	4,403	5,150	1,781	2,622
Texas	213,437	232,165	107,395	106,042

Historical Unemployment Rates

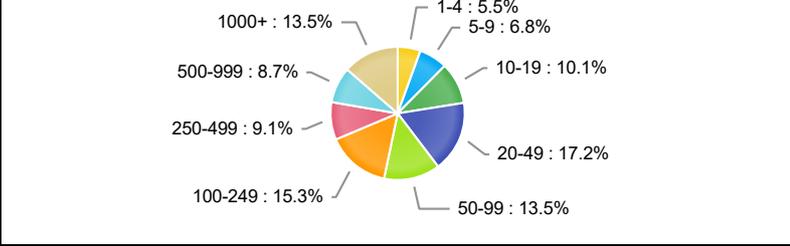


Projected Top Ten Fastest Growing Industries in WDA (% Growth 2018-2028)

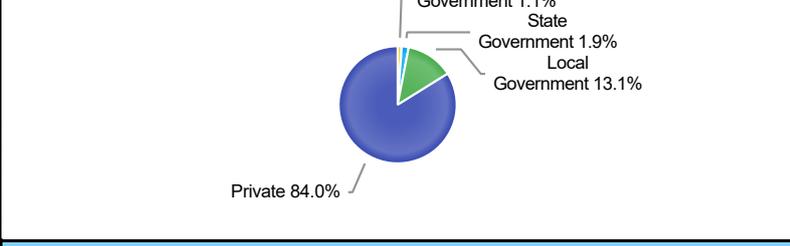


Average Weekly Wage (3rd Quarter 2020)					
	Q3 2020	Q2 2020	Q3 2019	Quarterly Change	Yearly Change
WDA	\$1,194	\$1,231	\$1,301	-\$37	-\$107
Texas	\$1,149	\$1,156	\$1,108	-\$7	\$41
US	\$1,173	\$1,188	\$1,092	-\$15	\$81

Employment by Size Class (3rd Quarter 2020)



Employment by Ownership (3rd Quarter 2020)



Employment by Industry (3rd Quarter 2020, Percent Change)

Industry	Employment	% of Total	% Quarterly Change	% Yearly Change
Natural Resources and Mining	37,345	18.1%	-11.8%	-36.4%
Construction	16,019	7.8%	-8.6%	-27.2%
Manufacturing	8,313	4.0%	-9.2%	-27.3%
Trade, Transportation and Utilities	46,157	22.4%	-2.9%	-15.0%
Information	1,590	0.8%	13.7%	-31.5%
Financial Activities	9,092	4.4%	-6.6%	-11.6%
Professional and Business Services	14,845	7.2%	-4.1%	-15.7%
Education and Health Services	36,775	17.8%	2.6%	-0.9%
Leisure and Hospitality	22,049	10.7%	9.2%	-13.9%
Other Services	6,367	3.1%	0.8%	-14.2%
Public Administration	7,541	3.7%	3.7%	3.6%

Employment by Industry (3rd Quarter 2020)

