

**MILLSAP INDEPENDENT SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED AUGUST 31, 2019**

# MILLSAP INDEPENDENT SCHOOL DISTRICT

## ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED AUGUST 31, 2019

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# MILLSAP INDEPENDENT SCHOOL DISTRICT

## ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED AUGUST 31, 2019

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## ***INTRODUCTORY SECTION***

CERTIFICATE OF BOARD

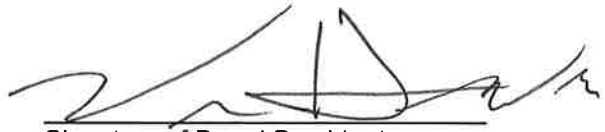
Millsap Independent School District  
Name of School District

Parker  
County

184-904  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one)  approved  disapproved for the year ended August 31, 2019, at a meeting of the Board of Trustees of such school district on the 18<sup>th</sup> day of November, 2019.

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

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

If the Board of Trustees disapproved of the auditor's report, the reason(s) for disapproving it is (are):  
(attach list as necessary)

***FINANCIAL SECTION***



## **EDGIN, PARKMAN, FLEMING & FLEMING, PC**

CERTIFIED PUBLIC ACCOUNTANTS

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WICHITA FALLS, TEXAS 76307-0750  
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MICHAEL D. EDGIN, CPA  
DAVID L. PARKMAN, CPA  
A. PAUL FLEMING, CPA

### **Independent Auditor's Report on Financial Statements**

Board of Trustees  
Millsap Independent School District  
201 E. Brazos Street  
Millsap, Texas 76066

Members of the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Millsap Independent School District (District) as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

#### **Auditor's Responsibility**

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

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, each major fund, and the aggregate remaining fund information of Millsap Independent School District as of August 31, 2019, and the respective changes in financial position for the year then ended, in conformity 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, budgetary comparison information, and schedules related to the District's participation in the Teacher Retirement System of Texas Pension and OPEB plans identified as Required Supplementary Information 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, other supplementary information, combining schedules of nonmajor governmental fund financial statements and required Texas Education Agency Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedules of nonmajor fund governmental financial statements, Texas Education Agency Schedules and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information, except for that portion labeled 'unaudited' on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedules of nonmajor governmental fund financial statements, Texas Education Agency Schedules and other supplementary information are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,



Edgin, Parkman, Fleming & Fleming, PC

October 31, 2019

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Millsap Independent School District, we offer readers of the District's Annual Financial Report this narrative overview and analysis of the District's financial performance during the fiscal year ended August 31, 2019. Please read it in conjunction with the District's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The District's assets and deferred outflows exceeded its liabilities and deferred inflows at August 31, 2019 by \$1,943,731 (net position). Of this amount, the amount of net position that is unrestricted and may be used to meet the District's obligations is \$741,915.
- During the year, the District's net position increased by \$1,556,342 as a result of current operations. The District's expenses, which totaled \$12,715,805, were less than the District's program revenues of \$2,022,239 and general revenues of \$12,249,908.
- The total cost of the District's programs increased \$3,969,049 from last year. The increase is mainly attributable to the prior year implementation of GASB 75 that artificially reduced OPEB expenditures by \$2,526,127 in the prior year.
- The governmental funds reported a fund balance this year of \$7,125,544, which is an increase of \$1,452,302 in comparison with the prior year amount.
- At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$3,045,297, or 31% of the total General Fund expenditures.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of 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 and other supplementary information in addition to the basic financial statements.

#### Government-Wide Financial Statements

All of the District's services are reported in the government-wide financial statements, including instruction, student support services, student transportation, general administration, school leadership, and food services. Property taxes, state and federal aid, and investment earnings finance most of the activities. Additionally, all capital and debt financing activities are reported here.

The government-wide financial statements are designed to provide readers a broad overview of the District's finances in a manner similar to a private-sector business.

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

The *statement of activities* details how the District'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 the related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected property taxes and earned but unused vacation leave).

### **Fund Financial Statements**

The District uses fund accounting to keep track of specific sources of funding and spending for particular purposes. The fund financial statements provide more detailed information about the District's most significant *funds* – not the District as a whole. Some funds are required by State law and or bond covenants. Other funds may be established by the District to control and manage money for particular purposes or to evidence appropriate use of certain taxes, grants, and other special revenues.

All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds** are 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 short-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 the District's short-term financing requirements.

Because the focus on *governmental funds* is narrower than that of 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 District's short-term financing decisions. Reconciliations are provided for both the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances. These reconciliations facilitate the comparison between *governmental funds* and *governmental activities*.

The District maintained multiple governmental funds during the current fiscal year. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balance for the General Fund and Debt Service Fund, which are considered to be major funds. Financial data for the other governmental funds are combined into a single, aggregated presentation.

**Fiduciary funds** are used to account for resources held for the benefit of parties outside of the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's programs. The District is the trustee, or *fiduciary*, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All the District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities.

### **Notes to the Basic Financial Statements**

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

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial

statements. Immediately following the *required supplementary information* is the *other supplementary information* which includes required TEA schedules.

### Government-wide Financial Analysis

As noted previously, net assets may serve over time as a useful indicator of a government's financial position. Exhibited below in Table 1 are the District's net position summarized for the *governmental activities*.

**Table 1 - District's Net Position**

	Governmental Activities			
	2019	2018	Change	% Change
Current and other assets	\$ 7,771,628	\$ 6,230,205	\$ 1,541,423	25%
Capital assets, net	19,696,251	20,383,876	(687,625)	-3%
Total Assets	27,467,879	26,614,081	853,798	3%
TRS and Refunding Outflows	3,402,282	2,304,166	1,098,116	100%
Total Deferred Outflows	3,402,282	2,304,166	1,098,116	100%
Current liabilities	553,394	482,477	70,917	15%
Noncurrent liabilities	26,955,341	26,385,969	569,372	2%
Total Liabilities	27,508,735	26,868,446	640,289	2%
TRS Related Outflows	1,417,695	1,662,412	(244,717)	100%
Total Deferred Outflows	1,417,695	1,662,412	(244,717)	100%
Net position:				
Net investment in capital assets	(236,552)	(609,796)	373,244	-61%
Restricted	1,438,368	1,218,432	219,936	18%
Unrestricted	741,915	(221,247)	963,162	-435%
Total Net Assets	\$ 1,943,731	\$ 387,389	\$ 1,556,342	402%

Investment in capital assets (e.g. land, buildings, furniture, and equipment less any related debt used to acquire those assets that is still outstanding) is (\$236,552). The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

A portion of the District's net position, \$1,438,368, represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position totaling \$741,915 is unrestricted and may be used to meet the District's ongoing obligations.

### Changes in Net Position

The District's total revenues, both program and general, were \$14,272,147. A significant portion, 41%, of the District's revenue comes from property taxes. Unrestricted grants and contributions, which includes state aid formula grants, provided 43% of the revenues and 11% comes from operating grants, while only a small percentage relates to charges for services, investment earnings and miscellaneous. Exhibited below in Table 2 are the District's revenues for the years ended August 31, 2019 and 2018 for the District's *governmental activities*.

**Table 2 - District's Revenues**

	Governmental Activities			
	2019	Percent	2018	Percent
Charges for services	\$ 519,744	4%	\$ 594,517	5%
Operating grants and contributions	1,502,495	11%	(652,626)	-6%
Property taxes	5,842,682	41%	5,445,662	48%
Grants and contributions not restricted	6,243,390	43%	5,804,030	51%
Investment earnings	143,919	1%	70,770	1%
Miscellaneous	19,917	0%	161,119	1%
<b>Total Revenues</b>	<b>\$ 14,272,147</b>	<b>100%</b>	<b>\$ 11,423,472</b>	<b>100%</b>

Exhibited below in Table 3 are the District's expenses for the years ended August 31, 2019 and 2018 for the District's *governmental activities*. The total cost of all programs and services was \$12,715,805. Instructional and related costs totaled 52% of these costs while student support was 17% and nonstudent support was 12%.

**Table 3 - District's Expenses**

	Governmental Activities			
	2019	Percent	2018	Percent
Instructional & related	\$ 6,697,356	52%	\$ 4,111,604	46%
Leadership	790,299	6%	460,350	5%
Student support	2,116,427	17%	1,622,348	19%
Administrative support	804,426	6%	598,948	7%
Nonstudent support	1,479,664	12%	1,269,258	15%
Other	827,633	7%	684,248	8%
<b>Total Expenses</b>	<b>\$ 12,715,805</b>	<b>100%</b>	<b>\$ 8,746,756</b>	<b>100%</b>

**Governmental Activities**

Table 4 presents the various revenue categories and gross costs of each of the District's functional areas for both the current and prior year. Following the table, we provide explanations for the significant or unusual fluctuations between the two years.

**Table 4 - Changes in Net Position**

	Governmental Activities			
	2019	2018	Change	% Change
<b>Revenues:</b>				
Program revenues:				
Charges for services	\$ 519,744	\$ 594,517	\$ (74,773)	-13%
Operating and capital grants and contributions	1,502,495	(652,626)	2,155,121	-330%
General revenues:				
Property taxes	5,842,682	5,445,662	397,020	7%
Grants and contributions not restricted	6,243,390	5,804,030	439,360	8%
Investment earnings	143,919	70,770	73,149	103%
Miscellaneous	19,917	161,119	(141,202)	-88%
Total revenues	<u>14,272,147</u>	<u>11,423,472</u>	<u>2,848,675</u>	<u>25%</u>
<b>Expenses</b>				
Instruction	6,528,159	4,029,441	2,498,718	62%
Instructional resources and media services	39,714	30,540	9,174	30%
Curriculum and staff development	129,483	51,623	77,860	151%
School leadership	790,299	460,350	329,949	72%
Guidance, counseling, and evaluation services	272,082	176,556	95,526	54%
Health services	165,786	103,537	62,249	60%
Student (pupil) transportation	346,155	245,612	100,543	41%
Food services	650,109	498,427	151,682	30%
Cocurricular/extracurricular activities	682,295	598,216	84,079	14%
General administration	804,426	598,948	205,478	34%
Plant maintenance and operations	1,430,583	1,242,371	188,212	15%
Security and monitoring services	26,535	13,944	12,591	N/A
Data processing services	22,546	12,943	9,603	74%
Interest on long-term debt	552,285	504,019	48,266	10%
Bond issuance costs and fees	6,836	6,756	80	1%
Payments related to shared service arrangements	173,286	173,473	(187)	0%
Intergovernmental charges	95,226	-	95,226	N/A
Total expenses	<u>12,715,805</u>	<u>8,746,756</u>	<u>3,969,049</u>	<u>45%</u>
Change in net position	<u>\$ 1,556,342</u>	<u>\$ 2,676,716</u>	<u>\$ (1,120,374)</u>	<u>-42%</u>

Significant changes between years are as follows:

Many of the fluctuations noted above are related to the implementation of GASB 75 in the prior year. The District is required to report on-behalf contributions at the government-wide level for their proportion of the change in OPEB liability and deferred balances recognized by the State of Texas on-behalf of the District. Due to the implementation of GASB 75 in the prior year, a \$1,576,793 negative adjustment to operating grants and contributions was recognized at the government-wide level. In addition, a negative adjustment for the difference between the opening OPEB liability and deferred amounts and the end of the year OPEB balances of \$949,334 was reflected as a reduction in overall expenses. In contrast to last year, the effects of similar changes related to GASB 75 for the current year resulted in a \$117,906 positive adjustment to operating grants and contributions in the current year and the annual change in OPEB liability and deferred amounts was a positive adjustment of \$66,084. In addition, the following fluctuations from the prior year were noted:

- Operating grants and contributions increased by \$2,155,121 or 330%, mainly due to the implementation of GASB 75 which reduced OPEB on-behalf revenue in the prior year by \$1,576,793 but increased on-behalf revenue in the current year by \$117,906. The remainder of the increase relates to additional textbook, school lunch, and Title I, section 1003 funding as well as adjustments for pension (GASB 68) on-behalf payments.
- Property taxes increased \$397,020 as a result of increased property tax values which were somewhat offset by a 2-cent decline in the I&S tax rate.
- Grants and contributions not restricted increased by \$439,360, or 8%, mainly due to the additional SHARS funding and a slight increase in ADA.
- Miscellaneous revenue decreased \$141,202, or 88%, due to prior year including large insurance proceeds.
- Instruction increased \$2,498,718, or 62%, due to prior year implementation of GASB 75, additional special education expenditures, Chromebook purchases, and additional expenses incurred from additional Title I, Part A funding and a new Title I 1003 grant.
- School leadership increased \$329,949, or 72%, mainly due to the prior year implementation of GASB 75 which reduced OPEB expenses by \$205,709 as well as standard pay increases and additional training costs.
- General administration increased \$205,478, or 34% due to prior year implementation of GASB 75, and addition of two half time positions. This increase would have been larger but the current year appraisal cost was reclassified to intergovernmental charges.

Table 5 presents the net cost of the District's governmental functions (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by local tax dollars, state aid, and other miscellaneous general revenues.

**Table 5 - Net Cost of Selected District Functions**

	Governmental Activities			
	2019	Percent	2018	Percent
Instructional & related	\$ 5,842,836	55%	\$ 4,766,970	54%
Leadership	722,490	7%	556,977	6%
Student support	1,229,336	11%	973,544	11%
Administrative support	752,570	7%	666,651	8%
Nonstudent support	1,359,899	13%	1,257,956	14%
Other	786,435	7%	582,767	7%
<b>Total Net Costs</b>	<b>\$ 10,693,566</b>	<b>100%</b>	<b>\$ 8,804,865</b>	<b>100%</b>

### Financial Analysis of the District's Funds

As previously stated, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and segregation for particular purposes.

## Governmental Funds

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

As of August 31, 2019, the District's governmental funds reported a combined ending fund balance of \$7,125,544, an increase of \$1,452,302 from the previous year. This increase is mainly due to positive operations in the General Fund due to increased SHARS funding, increased tax collections, and increased ADA. Table 6 illustrates the fund balances of the governmental funds.

**Table 6 - Governmental Funds - Fund Balances  
August 31, 2019**

	General Fund	Debt Service	Other Funds	Totals
Restricted for:				
Federal and state grants	\$ -	\$ -	\$ 17,908	\$ 17,908
Debt service	-	1,327,770	-	1,327,770
Committed for:				
Construction	2,611,000	-	-	2,611,000
Assigned:				
Campus activity funds	-	-	123,569	123,569
Unassigned	3,045,297	-	-	3,045,297
Total Fund Balances	<u>\$ 5,656,297</u>	<u>\$ 1,327,770</u>	<u>\$ 141,477</u>	<u>\$ 7,125,544</u>

## General Fund

At the end of the current fiscal year, the ending fund balance for the General Fund was \$5,656,297 of which \$3,045,297 was unassigned. The total fund balance represents 57% of the total General Fund expenditures for the year ended August 31, 2019. The fund balance increased by \$1,226,363 in the current fiscal year.

General Fund revenues totaled \$11,123,042, an increase of \$569,723, from the preceding year. The individual revenue categories that had significant fluctuations are as follows:

- Local revenues increased by \$124,901 due to increases in property taxes (values) that were not offset by prior year insurance proceeds.
- State program revenues increased by \$158,000 due to an increase in state funds related to increased enrollment and attendance.
- Federal revenue increased \$286,822 due to receipt of two years of SHARS cost report funding.

General Fund expenditures totaled \$9,896,679, a decrease of \$340,832 from the preceding year. The functional categories that changed the most were as follows:

- Instructional expenditures increased \$219,894 due to standard salary increases and additional special education expenditures.
- Transportation increased \$168,499 due to purchase of two new buses.
- Capital outlay decreased \$907,078 due to the prior year construction of 4 new classrooms.



## Debt Service Fund

The Debt Service Fund is fund used to account for general long-term debt principal and interest for debt issues and other long-term debts for which a tax has been dedicated. The total ending fund balance for the Debt Service Fund at August 31, 2019 is \$1,327,770, an increase of \$202,770 over the prior year. Revenues decreased \$21,271, due to the decrease in the EDA allotment of \$60,283 that were somewhat offset by increased tax collections. Expenditures increased \$19,266 from the prior year due to changes in the overall scheduled debt repayments.

## Other Governmental Funds

Other governmental funds consist of the various Special Revenue Funds. The total ending fund balance for other governmental funds combined was \$141,477, up from \$118,308 at the end of the prior year. Revenues increased from the prior year by \$202,757 and expenditures increased \$187,648. Revenue in the NSLP was up on increased participation, campus activity revenue was down due to a prior year special project, and a new Title I 1003 grant was received. Expenditure increase is related to the increased funding and were offset by the prior year expending of the special project funds received by the campus activity funds.

## General Fund Budgetary Highlights

Over the course of the year, the District revised its budget several times. Even with these adjustments, actual expenditures were \$766,029 below final budget amounts. There were no individual functional expenditure areas with significant excess budgets except facilities maintenance and operations where costs came in under budget as several planned projects were not completed. Most of the excess budget is the result of conservative budgeting. On the other hand, actual revenues were \$168,807 above final budget amounts with the budget variances mainly in local and state revenues. Most of the positive revenue budget variance is the result of conservative budgeting.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

As of August 31, 2019, the District had invested in a broad range of capital assets totaling \$19,696,251, net of accumulated depreciation, including land, buildings, and furniture and equipment. See Table 7 below.

**Table 7 - Capital Assets, Net**

	2019	2018	\$ Change	% Change
Land	\$ 947,249	\$ 947,249	\$ -	0%
Buildings and improvements	18,192,828	17,965,034	227,794	1%
Furniture and equipment	537,224	464,687	72,537	16%
Construction in progress	18,950	1,006,906	(987,956)	-98%
Totals	<u>\$ 19,696,251</u>	<u>\$ 20,383,876</u>	<u>\$ (687,625)</u>	<u>-3%</u>

Capital assets, net of accumulated depreciation, decreased \$687,625 from the previous year due to current depreciation expense exceeding additions. Additional information about the District's capital assets is presented in the notes to the financial statements.

## Long-term Debt

At August 31, 2019, the District had \$21,259,739 in bonds and tax maintenance notes as shown in Table 8 below.

**Table 8 - Long-term Debt**

	2019	2018	\$ Change	% Change
General obligations bonds	\$ 18,520,773	\$ 19,087,578	\$ (566,805)	-3%
Tax maintenance notes	1,007,000	1,146,000	(139,000)	-12%
Premiums on bonds	1,367,043	1,699,357	(332,314)	-20%
Accretion	364,923	464,093	(99,170)	-21%
Totals	<u>\$ 21,259,739</u>	<u>\$ 22,397,028</u>	<u>\$ (1,137,289)</u>	<u>-5%</u>

The District's bonds presently carry a rating of "A+" rating based upon the Permanent School Fund Guarantee as assigned by Moody's Investor Service. Additional information about the District's long-term debt is presented in the notes to the financial statements.

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

The following indicators were taken into account when adopting the 2019-20 budget for the General Fund.

- Appraised value used for the 2019-2020 budget preparation is \$450 million, compared to the \$363 million actual appraised values in 2018-2019. This is due to increased property values and development within Millsap ISD boundaries.
- General Fund spending per student will increase by \$2,421/student in the 2019-20 budget as compared to 2018-19 fiscal year due to HB3 mandates with salary from 14.6% to 18.3% for teachers and 8.5% for all other staff.
- The District's 2019-2020 refined average daily attendance was budgeted at 964 which is 16 above the 2018-19 fiscal year.

Amounts available for appropriation in the 2019-2020 General Fund's budget are \$12,399,393 which is a 25% increase from the 2018-2019 actual General Fund expenditures of \$9,896,679.

2019-2020 amended revenues are budgeted at \$12,399,393 which reflects an increase of \$1,276,351 from the 2018-2019 actual General Fund revenues of \$11,123,042. The increase is due to additional students and HB3 school finance reform.

If these estimates are realized, the District's General Fund's fund balance will remain the same at August 31, 2020.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Office.

***BASIC FINANCIAL STATEMENTS***

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**AUGUST 31, 2019**

Data Control Codes		1
		Governmental Activities
<b>Assets</b>		
1110	Cash and cash equivalents	\$ 1,257,723
1120	Current investments	5,811,389
1225	Property taxes receivable, net	142,297
1240	Due from other governments	541,450
1250	Accrued interest	3,664
1290	Other receivables	11,703
1410	Prepayments	3,402
	Capital assets:	
1510	Land	947,249
1520	Buildings and improvements, net	18,192,828
1530	Furniture and equipment, net	537,224
1580	Construction in progress	18,950
1000	Total assets	<u>27,467,879</u>
<b>Deferred outflows of resources</b>		
1701	Deferred loss on refunding	1,326,936
1705	Pension-related outflows	1,547,378
1706	OPEB-related outflows	527,968
1700	Total deferred outflows of resources	<u>3,402,282</u>
<b>Liabilities</b>		
2110	Accounts payable	58,977
2140	Accrued interest	49,607
2160	Accrued wages payable	407,392
2180	Due to other governments	26,276
2200	Accrued expenses	9,356
2300	Unearned revenues	1,786
	Noncurrent liabilities:	
2501	Portion due or payable within one year	767,870
2502	Portion due or payable after one year	20,491,869
2540	Net pension liability	2,375,449
2545	Net OPEB liability	3,320,153
2000	Total liabilities	<u>27,508,735</u>
<b>Deferred inflows of resources</b>		
2605	Pension-related inflows	367,783
2606	OPEB-related inflows	1,049,912
2600	Total deferred inflows of resources	<u>1,417,695</u>
<b>Net Position</b>		
3200	Net investment in capital assets	(236,552)
	Restricted for:	
3820	Federal and state programs	17,908
3850	Debt service	1,420,460
3900	Unrestricted	741,915
3000	Total net position	<u>\$ 1,943,731</u>

See accompanying notes to the basic financial statements.

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

Data Control Codes	Functions/Programs	1	3	4	6
		Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
					Governmental Activities
	Governmental activities:				
11	Instruction	\$ 6,528,159	\$ -	\$ 775,956	\$ (5,752,203)
12	Instructional resources and media services	39,714	-	2,487	(37,227)
13	Curriculum and staff development	129,483	-	76,077	(53,406)
23	School leadership	790,299	-	67,809	(722,490)
31	Guidance, counseling, & evaluation services	272,082	-	20,647	(251,435)
33	Health services	165,786	-	14,935	(150,851)
34	Student transportation	346,155	-	20,975	(325,180)
35	Food services	650,109	275,331	288,743	(86,035)
36	Cocurricular/extracurricular activities	682,295	244,413	22,047	(415,835)
41	General administration	804,426	-	51,856	(752,570)
51	Facilities maintenance and operations	1,430,583	-	117,722	(1,312,861)
52	Security and monitoring	26,535	-	1,342	(25,193)
53	Data processing services	22,546	-	701	(21,845)
72	Interest on long-term debt	552,285	-	41,198	(511,087)
73	Bond issuance costs and fees	6,836	-	-	(6,836)
93	Payments to shared service arrangements	173,286	-	-	(173,286)
99	Intergovernmental charges	95,226	-	-	(95,226)
TG	Total governmental activities	<u>\$ 12,715,805</u>	<u>\$ 519,744</u>	<u>\$ 1,502,495</u>	<u>(10,693,566)</u>
	General revenues:				
MT	Property taxes, levied for general purposes				4,289,174
DT	Property taxes, levied for debt service				1,553,508
SF	State aid - formula grants				6,243,390
IE	Investment earnings				143,919
MI	Miscellaneous				19,917
TR	Total general revenues				<u>12,249,908</u>
CN	Change in net position				1,556,342
	Net position - beginning				387,389
NE	Net position - ending				<u>\$ 1,943,731</u>

See accompanying notes to the basic financial statements.

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**AUGUST 31, 2019**

Data Control Codes		10 General Fund	50 Debt Service Fund
	<b>Assets</b>		
1110	Cash and cash equivalents	\$ 1,060,313	\$ 16,579
1120	Investments - current	4,475,087	1,336,302
1225	Property taxes receivable, net	106,914	35,383
1240	Due from other governments	525,669	-
1250	Accrued interest	2,499	1,165
1260	Due from other funds	223	-
1290	Other receivables	11,703	-
1410	Prepayments	3,402	-
1000	Total assets	<u>\$ 6,185,810</u>	<u>\$ 1,389,429</u>
	<b>Liabilities</b>		
2110	Accounts payable	\$ 27,746	\$ -
2160	Accrued wages payable	386,618	-
2170	Due to other funds	-	-
2180	Payable to other governments	-	26,276
2200	Accrued expenditures	8,235	-
2300	Unearned revenue	-	-
2000	Total liabilities	<u>422,599</u>	<u>26,276</u>
	<b>Deferred inflows of resources</b>		
2601	Unavailable revenue - property taxes	106,914	35,383
2600	Total deferred inflows of resources	<u>106,914</u>	<u>35,383</u>
	<b>Fund balances</b>		
	Restricted fund balances:		
3450	Federal or state funds grant restriction	-	-
3480	Retirement of long-term debt	-	1,327,770
	Committed fund balance:		
3510	Construction	2,611,000	-
	Assigned fund balance:		
3590	Campus activity funds	-	-
3600	Unassigned	3,045,297	-
3000	Total fund balances	<u>5,656,297</u>	<u>1,327,770</u>
4000	Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,185,810</u>	<u>\$ 1,389,429</u>

*See accompanying notes to the basic financial statements.*

Other Governmental Funds	98 Total Governmental Funds
\$ 180,831	\$ 1,257,723
-	5,811,389
-	142,297
15,781	541,450
-	3,664
-	223
-	11,703
-	3,402
<u>\$ 196,612</u>	<u>\$ 7,771,851</u>
\$ 31,231	\$ 58,977
20,774	407,392
223	223
-	26,276
1,121	9,356
1,786	1,786
<u>55,135</u>	<u>504,010</u>
<u>-</u>	<u>142,297</u>
<u>-</u>	<u>142,297</u>
17,908	17,908
-	1,327,770
-	2,611,000
123,569	123,569
-	3,045,297
<u>141,477</u>	<u>7,125,544</u>
<u>\$ 196,612</u>	<u>\$ 7,771,851</u>

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**AUGUST 31, 2019**

Data  
Control  
Codes

	Total fund balances - governmental funds (Exhibit C-1)		\$	7,125,544
	Amounts reported for <i>governmental activities</i> in the Statement of Net Position (Exhibit A-1) are different because:			
	Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. Capital assets at year-end consist of:			
	Gross capital assets	\$	34,813,452	
1	Related accumulated depreciation		<u>15,117,201</u>	19,696,251
	Property taxes receivable are not available to pay for current period expenditures and therefore are reported as deferred inflows of resources in the funds.			
2				142,297
	Long-term liabilities are not due and payable in the current period and therefore not reported as liabilities in the funds. Long-term liabilities at year-end consist of:			
	General obligation bonds		18,520,773	
	Tax maintenance notes		1,007,000	
	Premiums on CIB's		1,367,043	
	Accretion		364,923	
3	Deferred loss on refunding		<u>(1,326,936)</u>	(19,932,803)
	Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the governmental fund financial statements, interest expenditures are recorded only when due.			
4				(49,607)
	The District's net pension and OPEB liabilities and related deferred outflows and inflows related to its proportionate share of the Teacher Retirement System pension and OPEB plans are not due and payable in the current period and are, therefore, not reported in the governmental funds financial statements. These items consist of:			
	Net pension liability		2,375,449	
	Deferred outflows - pension related items		(1,547,378)	
	Deferred inflows - pension related items		367,783	
	OPEB liability		3,320,153	
	Deferred outflows - OPEB related items		(527,968)	
5	Deferred inflows - OPEB related items		<u>1,049,912</u>	<u>(5,037,951)</u>
19	Total net position - governmental activities (Exhibit A-1)		\$	<u>1,943,731</u>

*See accompanying notes to the basic financial statements.*



**MILLSAP INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2019**

Data Control Codes		10 General Fund	50 Debt Service Fund
<b>Revenues</b>			
5700	Local and intermediate sources	\$ 4,428,762	\$ 1,579,308
5800	State program revenues	6,219,505	41,198
5900	Federal program revenues	474,775	-
5020	Total revenues	<u>11,123,042</u>	<u>1,620,506</u>
<b>Expenditures</b>			
0011	Instruction	5,333,060	-
0012	Instructional resources and media services	34,804	-
0013	Curriculum and staff development	42,072	-
0023	School leadership	671,644	-
0031	Guidance, counseling, & evaluation services	233,119	-
0033	Health services	142,442	-
0034	Student transportation	487,839	-
0035	Food services	15,033	-
0036	Cocurricular/extracurricular activities	424,641	-
0041	General administration	694,124	-
0051	Facilities maintenance and operations	1,262,398	-
0052	Security and monitoring	23,435	-
0053	Data processing services	20,187	-
0071	Principal on long-term debt	139,000	566,805
0072	Interest on long-term debt	62,915	847,995
0073	Bond issuance costs and fees	3,900	2,936
0081	Capital outlay	37,554	-
0093	Payments to shared service arrangements	173,286	-
0099	Other intergovernmental charges	95,226	-
6030	Total expenditures	<u>9,896,679</u>	<u>1,417,736</u>
1100	Excess of revenues over expenditures	<u>1,226,363</u>	<u>202,770</u>
1200	Net change in fund balance	1,226,363	202,770
0100	Fund balances - beginning	<u>4,429,934</u>	<u>1,125,000</u>
3000	Fund balances - ending	<u>\$ 5,656,297</u>	<u>\$ 1,327,770</u>

*See accompanying notes to the basic financial statements.*

Other Governmental Funds	98 Total Governmental Funds
\$ 503,549	\$ 6,511,619
112,517	6,373,220
577,936	1,052,711
<u>1,194,002</u>	<u>13,937,550</u>
287,423	5,620,483
-	34,804
75,726	117,798
3,271	674,915
-	233,119
-	142,442
-	487,839
553,676	568,709
189,803	614,444
-	694,124
60,934	1,323,332
-	23,435
-	20,187
-	705,805
-	910,910
-	6,836
-	37,554
-	173,286
-	95,226
<u>1,170,833</u>	<u>12,485,248</u>
<u>23,169</u>	<u>1,452,302</u>
23,169	1,452,302
<u>118,308</u>	<u>5,673,242</u>
<u>\$ 141,477</u>	<u>\$ 7,125,544</u>

**MILLSAP INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2019**

Net change in fund balances - total governmental funds (Exhibit C-2)		\$ 1,452,302
Amounts reported for <i>governmental activities</i> in the Statement of Activities (Exhibit B-1) are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. The net difference between the two is as follows:		
Capital outlay during the year	\$ 282,468	
Depreciation expense for the year	<u>970,093</u>	(687,625)
Because property tax receivables will not be collected for several months after the District's fiscal year ends, they are not considered 'available' revenues and are deferred in the governmental funds. Deferred inflows decreased by this amount this year.		14,643
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year long-term debt principal payments are summarized as follows:		
General obligation bonds	566,805	
Tax maintenance notes	<u>139,000</u>	705,805
The accretion and amortization of capital appreciation bonds and CIB premiums are only reported in the Statement of Activities.		431,484
Interest is accrued on long-term debt in the government-wide financial statements, whereas interest is reported when due in the governmental fund financial statements. Accrued interest increased by:		3,561
Amortization of deferred losses on refundings is only reported on the government-wide financial statements. Current amortization is:		(76,420)
The District participates in a defined benefit pension plan. Contributions to the plan are expenditures at the fund level when payments are due. At the government-wide level, pension expenses are recognized on an actuarial basis. Payments were more than the actuarial expense in the current year.		(221,324)
The District participates in an OPEB plan through TRS. Contributions to the plan are expenditures at the fund level when payments are due. At the government-wide level, OPEB expenses are recognized on an actuarial basis. Payments were more than the actuarial expense in the current year.		<u>(66,084)</u>
Change in net position of governmental activities (Exhibit B-1)		<u>\$ 1,556,342</u>

See accompanying notes to the basic financial statements.

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**AUGUST 31, 2019**

Data Control Codes		Agency Funds	Fiduciary Component Unit
		Student Activity	Millsap Education Foundation
	<b>Assets</b>		
1110	Cash and cash equivalents	\$ 49,300	\$ -
1810	Restricted assets	-	163,704
1000	Total assets	<u>\$ 49,300</u>	<u>163,704</u>
	<b>Liabilities</b>		
	Current Liabilities:		
2190	Due to student groups	\$ 49,300	-
2000	Total liabilities	<u>\$ 49,300</u>	<u>-</u>
	<b>Net Position</b>		
3800	Restricted for scholarships		163,704
3000	Total net position		<u>\$ 163,704</u>

*See accompanying notes to the basic financial statements.*

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**AUGUST 31, 2019**

	Fiduciary Component Unit
	<u>Millsap Education Foundation</u>
<b>Additions</b>	
Investment income	\$ 11,057
Contributions	25,464
Total additions	<u>36,521</u>
<b>Deductions</b>	
Scholarships paid	17,750
Total deductions	<u>17,750</u>
Change in net position	18,771
Net position, beginning	<u>144,933</u>
Net position, ending	<u>\$ 163,704</u>

*See accompanying notes to the basic financial statements.*

# MILLSAP INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2019

### A. Summary of Significant Accounting Policies

The basic financial statements of Millsap Independent School District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide (Resource Guide). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

#### 1. Reporting Entity

The Board of School Trustees (Board), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (TEA) or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. The District is not included in any other governmental reporting entity.

The accompanying financial statements present the District and its component unit, an entity for which the District is considered to be financially accountable. The component unit includes the separately administered organization that is controlled by or dependent on the District. Control or dependence is determined on the basis of budget adoption, funding, and appointment of the respective governing board. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. Accordingly, the Millsap Education Foundation is presented as a Fiduciary Component Unit and is included in the Statement of Fiduciary Net Position. The books are maintained on a full accrual basis of accounting.

#### 2. Basis of Presentation, Basis of Accounting

##### a. Basis of Presentation

**Government-wide Financial Statements:** The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements:** The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

**General Fund:** This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED AUGUST 31, 2019*

Debt Service Fund: This fund is used to account for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

In addition, the District reports the following fund types:

**Governmental Funds:**

Special Revenue Funds: The District accounts for resources restricted to, or designated for, a specific purpose by the District or a grantor in a special revenue fund. Most federal and some state financial award programs are accounted for in these funds and sometimes unused balances must be returned to the grantor at the close of specified project periods.

**Fiduciary Funds:**

Fiduciary Funds are reported in the fiduciary fund financial statements. However, because the assets are held in a trustee or agent capacity and are therefore not available to support District programs, the funds are not included in the government-wide statements. These funds are as follows:

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary Component Unit: The District maintains the Millsap Educational Foundation (Foundation). This entity was established as a not-for-profit entity to provide assistance and support for students to encourage post-secondary education. This entity is a "related organization" of the District as defined by Governmental Accounting Standards Board Statement No. 14, as amended by Statements No. 39 and 61.

**b. Measurement Focus, Basis of Accounting**

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

b. Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate charges. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

c. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

At August 31, 2019, net property taxes receivable is calculated as follows:

Gross property taxes receivable	\$265,900
Allowance for uncollectible taxes	( 123,603)
Net property taxes receivable	<u>\$142,297</u>

d. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.



**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED AUGUST 31, 2019*

e. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are depreciated using the straight-line method over the following useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	30-40 years
Building improvements	10-30 years
Furniture and equipment	5-10 years

f. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables, except for delinquent property taxes receivable, which are not scheduled for collection within one year of year end. Of the \$265,900 gross property tax receivable at August 31, 2019, the District expects to collect approximately \$100,000 in the upcoming year.

g. Deferred Outflows/Inflows of Resources

Deferred outflows of resources refers to the consumption of net assets that are applicable to a future reporting period. Deferred outflows of resources has a positive effect on net position, similar to assets. Notwithstanding the similarities, Concepts Statement 5 clearly establishes that deferred outflows of resources are not assets. The deferred outflows of resources reported for the year ended August 31, 2019 at the government-wide level are related to pension and OPEB plans and deferred losses on bond refunding.

Deferred inflows of resources refers to the acquisition of net assets that are applicable to a future reporting period. Deferred inflows of resources has a negative effect on net position, similar to liabilities. Notwithstanding the similarities, Concepts Statement 5 clearly establishes that deferred inflows of resources are not liabilities. Specifically for the current period fund level statements, the difference in delinquent taxes receivable and the associated allowance for uncollectible taxes is considered a deferred inflow of resources. At the government-wide level, the District reports deferred inflows of resources for pension and OPEB related items.

h. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line on the government-wide statement of net position.

## **MILLSAP INDEPENDENT SCHOOL DISTRICT**

### *NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2019*

i. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Accordingly, actual results could differ from those estimates.

j. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Trustees. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the General Fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

k. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

# MILLSAP INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2019

### I. Fund Balance Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

### m. Data Control Codes

Data Control Codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to insure accuracy in building a statewide database for policy development and funding plans.

### 4. Pension

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

### 5. Other Post-Employment Benefits

The fiduciary net position of the TRS Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go-plan and all cash is held in a cash account.

## B. Compliance and Accountability

### 1. Finance-Related Legal and Contractual Provisions

The District had no violations of finance-related legal and contractual provisions for the year ended August 31, 2019.

### 2. Deficit Fund Balance or Fund Net Position of Individual Funds

The District does not have any funds with a deficit fund balance or deficit net position.

## C. Deposits and Investments

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

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

1. Cash Deposits:

At August 31, 2019, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$4,255,951 and the bank balance was \$4,470,325. The District's cash deposits at August 31, 2019, and during the year ended August 31, 2019, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

At August 31, 2019, the Foundation maintained \$32,911 of deposits that were fully-insured by FDIC.

2. Investments:

The District is required by Government Code Chapter 2256, The Public Funds Investment Act (Act), to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The District's investments at August 31, 2019, are shown below.

<u>Investment or Investment Type</u>	<u>Weighted Maturity (Months)</u>	<u>Fair Value</u>
TexPool Prime	2	\$2,862,462
Money Market Accounts	N/A	1,519,141
Certificates of Deposit	2	1,429,786
Total		<u>\$5,811,389</u>

The Foundation's investments at August 31, 2019 are shown below:

<u>Investment or Investment Type</u>	<u>Weighted Maturity (Months)</u>	<u>Fair Value</u>
Certificate of Deposit	78	<u>\$130,793</u>

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgement and considers factors specific to each asset or liability. The District values its TexPool balances at net asset value per unit/share. The certificates of deposit are valued using Level 2 inputs.

# MILLSAP INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2019

### Public Funds Investment Pools

Public funds investment pools in Texas (Pools) are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Act, Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares. The District participates in the TexPool Investment Pool further described as follows.

The TexPool Prime Investment Pool (TexPool) is a local government investment pool organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts oversees TexPool. Federated Investors, Inc. is the administrator and investment manager of TexPool under a contract with the State Comptroller. In accordance with the Public Funds Investment Act, the State Comptroller has appointed the TexPool Investment Advisory Board to advise with respect to TexPool. The board is composed equally of participants in TexPool Portfolios and other persons who do not have a business relationship with TexPool Portfolios and are qualified to advise in respect to TexPool Portfolios. The Advisory Board members review the investment policy and management fee structure. TexPool is rated AAAM by Standard & Poor's. All investments are stated at amortized cost, which usually approximates the market value of the securities. The stated objective of TexPool is to maintain a stable average \$1.00 per unit net asset value; however, the \$1.00 net asset value is not guaranteed or insured. The financial statements can be obtained from the Texas Trust Safekeeping Trust Company website at [www.ttstc.org](http://www.ttstc.org).

### 3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

#### a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

#### b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

#### c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

D. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2019 is as follows:

<u>Due To</u> General Fund	<u>Due From</u> Other Governmental Funds	<u>Amount</u> <u>\$223</u>	<u>Purpose</u> Short-term loan
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2. Transfers To and From Other Funds

There are no transfers between funds for the year ended August 31, 2019.

E. Capital Assets

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

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 947,249	\$ -	\$ -	\$ 947,249
Construction in progress	<u>1,006,906</u>	<u>18,950</u>	<u>1,006,906</u>	<u>18,950</u>
Total capital assets not being depreciated	<u>1,954,155</u>	<u>18,950</u>	<u>1,006,906</u>	<u>966,199</u>
Capital assets being depreciated:				
Buildings and improvements	30,905,971	1,105,324	-	32,011,295
Furniture and equipment	<u>1,670,858</u>	<u>165,100</u>	<u>-</u>	<u>1,835,958</u>
Total capital assets being depreciated	<u>32,576,829</u>	<u>1,270,424</u>	<u>-</u>	<u>33,847,253</u>
Less accumulated depreciation for:				
Buildings and improvements	12,940,937	877,530	-	13,818,467
Furniture and equipment	<u>1,206,171</u>	<u>92,563</u>	<u>-</u>	<u>1,298,734</u>
Total accumulated depreciation	<u>14,147,108</u>	<u>970,093</u>	<u>-</u>	<u>15,117,201</u>
Total capital assets being depreciated, net	<u>18,429,721</u>	<u>300,331</u>	<u>-</u>	<u>18,730,052</u>
Governmental activities capital assets, net	<u>\$20,383,876</u>	<u>\$ 319,281</u>	<u>\$1,006,906</u>	<u>\$19,696,251</u>

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

Depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction	\$528,810
Instructional Resources and Media Services	3,275
Curriculum and Staff Development	11,083
School Leadership	63,500
Guidance, Counseling, & Evaluation Services	21,933
Health Services	13,402
Student Transportation	28,582
Food Services	53,507
Extracurricular Activities	56,928
General Administration	65,307
Facilities Maintenance and Operations	119,662
Security and Monitoring Services	2,205
Data Processing Services	<u>1,899</u>
Total governmental depreciation	<u>\$970,093</u>

F. Long-term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2019, are as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>	Amounts Due Within <u>One Year</u>
<u>Governmental Activities:</u>					
General Obligation Bonds	\$19,087,578	\$ -	\$ 566,805	\$18,520,773	\$621,870
Tax Maintenance Notes	1,146,000	-	139,000	1,007,000	146,000
Premiums collected on CIBs	1,699,357	-	332,314	1,367,043	-
Accretion	<u>464,093</u>	<u>16,971</u>	<u>116,141</u>	<u>364,923</u>	<u>-</u>
Total governmental activities	<u>\$22,397,028</u>	<u>\$16,971</u>	<u>\$1,154,260</u>	<u>\$21,259,739</u>	<u>\$767,870</u>

2. General Obligation Bonds and Tax Maintenance Note

Unlimited Tax School Building Bonds, Series 2008

The Unlimited Tax School Building Bonds, Series 2008, consist of two types of bonds, current interest bonds (CIBs) and premium capital appreciation bonds (CABs). The CABs have maturity dates ranging from 2016 through 2020. The original par value was \$49,998 and were sold with an initial premium of \$283,669. They will mature at full value of \$550,000 after the par value is fully accreted at the maturity date. Interest rates range from 4.85% to 5.60%. The current interest bonds had an initial principal value of \$2,350,000 and were sold at a minor discount. The bonds carry interest between 5.00% and 5.60% which is paid semi-annually until maturity at which time the principal will be due. The CIBs mature between February 2022 through February 2033 with escalating principal payments between \$270,000 and \$1,100,000.

The District reserves the right, at its option, to redeem the CIBs in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on or after February 15, 2018, and any date thereafter, at par plus accrued interest to the date of redemption. The CABs are not subject to early redemption.

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

Tax Maintenance Notes, Series 2010

Tax maintenance notes totaling \$2,000,000 were sold on January 14, 2010 to finance the renovation and rehabilitation of existing District property and pay for certain equipment. Deposits of tax revenue in the Interest and Sinking Fund are required to be sufficient to pay all debt costs as they come due. Escalating principal payments between \$65,000 and \$191,000 are made each April starting in 2011 until final maturity in 2025. The tax notes carry an interest rate of 5.49% and payments are made on a semi-annual basis in October and April until maturity.

Unlimited Tax Refunding Bonds, Series 2011

The Unlimited Tax Refunding Bonds, Series 2011, consist of two types of bonds, CIBs and premium CABs. The CABs matured in 2014. The CIBs had an initial principal value of \$1,520,000 and were sold at a premium of \$140,816, which will be amortized over the life of the bonds. The bonds carry interest between 2.00% and 4.00%, which is paid semi-annually until maturity at which time the principal will be due. The CIBs mature between February 2013 through February 2032 with escalating principal payments between \$70,000 and \$140,000.

The District reserves the right, at its option, to redeem the CIBs in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on or after February 15, 2021, and any date thereafter, at par plus accrued interest to the date of redemption.

Unlimited Tax Refunding Bonds, Series 2014

The Unlimited Tax Refunding Bonds, Series 2014, consist only of CIBs. The bonds had an initial principal value of \$3,945,000 and were sold at a premium of \$364,014 which will be amortized over the life of the bonds. The bonds carry interest between 2.00% and 4.00% which is paid semi-annually until maturity, at which time the principal will be due. The CIBs mature between February 2015 through February 2025 with escalating principal payments between \$75,000 and \$495,000.

The District reserves the right, at its option, to redeem the CIBs in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on or after February 15, 2024, and any date thereafter, at par plus accrued interest to the date of redemption.

Unlimited Tax Refunding Bonds, Series 2014-A

The Unlimited Tax Refunding Bonds, Series 2014-A, consist of two types of bonds, CIBs and premium CABs. The CABs have maturity dates ranging from 2021 through 2022. The original par value was \$64,903 and were sold with an initial premium of \$120,398. They will mature at full value of \$225,000 after the par value is fully accreted at the maturity date. Interest rates range from 2.10% to 2.30%. The CIBs had an initial principal value of \$4,775,000 and were sold at a premium of \$711,555 that will be amortized over the life of the bonds. The bonds carry interest between 3.00% and 4.00% which is paid semi-annually until maturity at which time the principal will be due. The CIBs mature between February 2023 through February 2030 with escalating principal payments between \$120,000 and \$955,000. However, they were refunded with the issuance of the Series 2016 Bonds.

The District reserves the right, at its option, to redeem the CIBs in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on or after February 15, 2018, and any date thereafter, at par plus accrued interest to the date of redemption. The CABs are not subject to early redemption.

Unlimited Tax Refunding Bonds, Series 2015

The Unlimited Tax Refunding Bonds, Series 2015, consist of two types of bonds, CIBs and premium CABs. The CABs have maturity dates ranging from 2015 through 2019. The original par value was \$311,239 and were sold with an initial premium of \$54,517. They will mature at full value of \$395,000 after the par value is fully accreted at the maturity date. Interest rates range from .50% to 1.40%. The CIBs had an initial principal value of \$7,880,000 and were sold at a premium of \$950,872 that will be amortized over the life of the bonds. The bonds carry interest between 3.00% and 4.00% which is paid semi-annually until maturity at which time the principal will be due. The CIBs mature between February 2020 through February 2037 with escalating principal payments between \$60,000 and \$1,355,000.



**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

The District reserves the right, at its option, to redeem the CIBs in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on or after February 15, 2031, and any date thereafter, at par plus accrued interest to the date of redemption. The CABs are not subject to early redemption.

Unlimited Tax Refunding Bonds, Series 2016

The Unlimited Tax Refunding Bonds, Series 2016, consist of two types of bonds, CIBs and premium CABs. The CABs mature in February 2021. The original par value was \$60,000 and were sold with an initial premium of \$80,447. They will mature at full value of \$150,000 after the par value is fully accreted at the maturity date. The interest rate on the CABs is 1.57%. The CIBs had an initial principal value of \$2,290,000 and were sold at a premium of \$315,260 that will be amortized over the life of the bonds. The bonds carry interest between 2.00% and 4.00% which is paid semi-annually until maturity at which time the principal will be due. The CIBs mature between February 2016 through February 2033 with escalating principal payments between \$45,000 and \$215,000.

The District reserves the right, at its option, to redeem the CIBs in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on or after February 15, 2027, and any date thereafter, at par plus accrued interest to the date of redemption. The CABs are not subject to early redemption.

A summary of changes in general obligation bonds and tax maintenance notes for the year ended August 31, 2019, is as follows:

	Amounts Outstanding <u>9/1/18</u>	<u>Issued</u>	<u>Retired</u>	Amounts Outstanding <u>8/31/19</u>	Amounts Due Within <u>One Year</u>
Unlimited Tax School Building Bonds, Series 2008:					
Capital Appreciation Bonds	\$ 15,729	\$ -	\$ 8,859	\$ 6,870	\$ 6,870
Unlimited Tax Refunding Bonds, Series 2011:					
Current Interest Bonds	990,000	-	125,000	865,000	130,000
Unlimited Tax Refunding Bonds, Series 2014:					
Current Interest Bonds	3,060,000	-	375,000	2,685,000	400,000
Unlimited Tax Refunding Bonds, Series 2014-A:					
Capital Appreciation Bonds	64,903	-	-	64,903	-
Current Interest Bonds	4,775,000	-	-	4,775,000	-
Unlimited Tax Refunding Bonds, Series 2015:					
Capital Appreciation Bonds	37,946	-	37,946	-	-
Current Interest Bonds	7,880,000	-	-	7,880,000	60,000
Unlimited Tax Refunding Bonds, Series 2016:					
Capital Appreciation Bonds	59,000	-	-	59,000	-
Current Interest Bonds	<u>2,205,000</u>	<u>-</u>	<u>20,000</u>	<u>2,185,000</u>	<u>25,000</u>
Total general obligation bonds	<u>19,087,578</u>	<u>-</u>	<u>566,805</u>	<u>18,520,773</u>	<u>621,870</u>
Maintenance Tax Notes, Series 2010	<u>1,146,000</u>	<u>-</u>	<u>139,000</u>	<u>1,007,000</u>	<u>146,000</u>
Total	<u>\$20,233,578</u>	<u>\$ -</u>	<u>\$705,805</u>	<u>\$19,527,773</u>	<u>\$767,870</u>

# MILLSAP INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2019

There are a number of limitations and restrictions contained in the general obligation bonds indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions.

### 3. Debt Service Requirements

Debt service requirements on the long-term debt at August 31, 2019 are as follows:

<u>Year Ending August 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 767,870	\$ 866,414	\$ 1,634,284
2021	801,069	880,100	1,681,169
2022	934,834	775,743	1,710,577
2023	1,047,000	656,503	1,703,503
2024	1,086,000	616,548	1,702,548
2025-2029	5,306,000	2,426,486	7,732,486
2030-2034	5,675,000	1,356,750	7,031,750
2035-2037	<u>3,910,000</u>	<u>238,600</u>	<u>4,148,600</u>
Totals	<u>\$19,527,773</u>	<u>\$7,817,144</u>	<u>\$27,344,917</u>

4. The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

### G. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2019, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

### H. Defined Benefit Pension Plan

#### 1. Plan Description

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

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

#### 2. Pension Plan Fiduciary Net Position

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

# MILLSAP INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2019

### 3. Benefits Provided

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

### 4. Contributions

Contribution requirements are established or amended pursuant to Article 16, Section 67 of the Texas Constitution, which requires the Texas Legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements if, as a result of a particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 85th Texas Legislature, General Appropriations Act affirmed that the employer contribution rates for fiscal years 2018 and 2019 would remain the same.

	<u>Contribution Rates</u>	
	<u>2018</u>	<u>2019</u>
Members (Employees)	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employer (District)	6.8%	6.8%
Members (Employees)	\$435,845	\$471,183
Non-Employer Contributing Entity (State)	\$326,862	\$354,107
Employer (District)	\$145,384	\$146,219

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

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

# MILLSAP INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2019

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

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to:

- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

### 5. Actuarial Assumptions

The total pension liability in the August 31, 2017 actuarial valuation rolled forward to August 31, 2018 was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.907%
Long-term Expected Investment Rate of Return	7.25%
Inflation	2.30%
Salary Increases Including Inflation	3.05% to 9.05%
Payroll Growth Rate	3.00%
Benefit Changes During the Year	None
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are based primarily on a study of actual experience for the three year period ending August 31, 2017 and adopted in July 2018.

### 6. Discount Rate

The discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25 percent and a municipal bond rate of 3.69 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for

**MILLSAP INDEPENDENT SCHOOL DISTRICT**

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each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2018 are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation <sup>(1)</sup></u>	<u>Long-term Expected Arithmetic Real Rate of Return <sup>(2)</sup></u>	<u>Expected Contribution to Long-term Portfolio Returns *</u>
Global Equity			
U.S.	18.0%	5.7%	1.0%
Non-U.S. Developed	13.0%	6.9%	0.9%
Emerging Markets	9.0%	8.9%	0.8%
Directional Hedge Funds	4.0%	3.5%	0.1%
Private Equity	13.0%	10.2%	1.3%
Stable Value			
U.S. Treasuries	11.0%	1.1%	0.1%
Absolute Return	0.0%	-	-
Stable Value Hedge Funds	4.0%	3.1%	0.1%
Cash	1.0%	-0.3%	0.0%
Real Return			
Global Inflation Linked Bonds	3.0%	0.7%	0.0%
Real Assets	14.0%	5.2%	0.7%
Energy and Natural Resources	5.0%	7.5%	0.4%
Commodities	0.0%	-	-
Risk Parity			
Risk Parity	5.0%	3.7%	0.2%
Inflation Expectation			2.3%
Volatility Drag <sup>(3)</sup>			-0.8%
<b>Total</b>	<b><u>100.0%</u></b>		<b><u>7.2%</u></b>

<sup>(1)</sup> Target allocations are based on the FY 2016 policy model.

<sup>(2)</sup> Capital market assumptions come from Aon Hewitt (2017 Q4).

<sup>(3)</sup> The volatility drag results from the conversion between arithmetic and geometric mean returns.

**7. Discount Rate Sensitivity Analysis**

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (6.907%) in measuring the Net Pension Liability.

	<u>1% Decrease 5.907%</u>	<u>Current Discount Rate 6.907%</u>	<u>1% Increase 7.907%</u>
District's proportionate share of the net pension liability	<u>\$3,585,122</u>	<u>\$2,375,449</u>	<u>\$1,396,147</u>

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

At August 31, 2019, the District reported a liability of \$2,375,449 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for the State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$2,375,449
State's proportionate share that is associated with the District	<u>5,343,967</u>
Total	<u>\$7,719,416</u>

The net pension liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2017 rolled forward to August 31, 2018. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2017 through August 31, 2018.

At August 31, 2018, the District's proportion of the collective net pension liability was 0.0043156699%, which was an increase of .0002688543% from its proportion measured as of August 31, 2017.

Changes Since the Prior Actuarial Valuation

The following were changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

- The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rate of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8.0% as of August 31, 2017 to 6.907% as of August 31, 2018.
- The long-term assumed rate of return changed from 8.0% to 7.25%.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net pension liability.

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

For the year ended August 31, 2019, the District recognized pension expense of \$528,910 and revenue of \$326,862 for support provided by the State.

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

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	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Differences between expected and actual economic experience	\$ 14,807	\$ 58,284
Changes in actuarial assumptions	856,464	26,765
Difference between projected and actual investment earnings	123,450	168,523
Changes in proportion and difference between the District contributions and the proportionate share of contributions	406,438	114,211
Contributions paid to TRS subsequent to the measurement date	<u>146,219</u>	<u>-</u>
Total	<u>\$1,547,378</u>	<u>\$367,783</u>

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

<u>Year Ended August 31</u>	<u>Pension Exp. Amount</u>
2019	\$284,577
2020	189,724
2021	161,129
2022	156,782
2023	138,045
Thereafter	103,120

I. Defined Other Post-Employment Benefit Plans

1. Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the TRS Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

2. OPEB Plan Fiduciary Net Position

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

3. Benefits Provided

TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension

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system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for a retiree with and without Medicare coverage.

TRS-Care Monthly for Retirees January 1, 2018 Through December 31, 2018		
	<u>Medicare</u>	<u>Non-Medicare</u>
Retiree *	\$ 135	\$200
Retiree and Spouse	529	689
Retiree * and Children	468	408
Retiree and Family	1,020	999

\* or surviving spouse

4. Contributions

Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of Trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, Section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	<u>Contribution Rates</u>	
	<u>2018</u>	<u>2019</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers (District)	0.75%	0.75%
Federal/private funding remitted by Employers	1.25%	1.25%
Employer Contributions	\$45,872	\$47,898
Member Contributions	\$38,312	\$39,775
NECE On-behalf Contributions	\$72,049	\$74,487

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether or not they participate in the TRS Care OPEB program). When employers hire a TRS retiree, they are required to pay to TRS Care a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$182.6 million in fiscal year 2018. The 85th Texas Legislature, House Bill 30 provided an additional \$212 million in one-time, supplemental funding for the FY 2018-19 biennium to support the program. This was also received in FY 2018 bringing the total appropriations received in fiscal year 2018 to \$394.6 million.



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5. Actuarial Assumptions

A change was made in the measurement date of the total OPEB liability for this fiscal year. The actuarial valuation was performed as of August 31, 2017. Update procedures were used to roll forward the total OPEB liability to August 31, 2018. This is the first year using the roll forward procedures.

The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation, salary increases, and general payroll growth, used in this OPEB valuation were identical to those used in the respective TRS pension valuation. Since the assumptions were based upon a recent actuarial experience study performed and they were reasonable for this OPEB valuation, they were used in this report.

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation that was rolled forward to August 31, 2018:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability Incidence	

The active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB. The post-retirement mortality rates were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the most recently published scale (U-MP).

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	3.69%
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll Growth Rate	3.00%
Projected Salary Increases	3.05% to 9.05%, including inflation
Annual Healthcare Trend Rates	8.50% for FY 2019, decreasing 0.5% per year to 4.50% for FY 2027 and later years
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad hoc post-employment benefit changes	None

Other Information:

In this valuation, the impact of the Cadillac Tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.50%.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

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Results indicate that the value of the excise tax would be reasonably represented by a 25 basis point addition to the long-term trend rate assumption.

6. Discount Rate

A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase of .27% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.69%) in measuring the net OPEB liability.

	1% Decrease <u>2.69%</u>	Current Discount Rate <u>3.69%</u>	1% Increase <u>4.69%</u>
District's proportionate share of the net OPEB liability	<u>\$3,952,122</u>	<u>\$3,320,153</u>	<u>\$2,820,224</u>

The following schedule presents the net OPEB liability of the plan using the assumed healthcare cost trend rate as well as what the net OPEB liability would be if it were calculated using a trend ratio that is 1% less than and 1% greater than the assumed healthcare cost trend rate:

	1% Decrease <u>7.5%</u>	Current Discount Rate <u>8.5%</u>	1% Increase <u>9.5%</u>
District's proportionate share of the current healthcare cost trend rate	<u>\$2,757,441</u>	<u>\$3,320,153</u>	<u>\$4,061,256</u>

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

At August 31, 2019, the District reported a liability of \$3,320,153 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for the State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	<u>\$3,320,153</u>
State's proportionate share that is associated with the District	<u>5,222,269</u>
Total	<u>\$8,542,422</u>

## MILLSAP INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2019

The net OPEB liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2017 through August 31, 2018.

At August 31, 2019, the District's proportion of the collective net OPEB liability was 0.0066494934%, compared to 0.0061973323% as of August 31, 2018.

#### Changes Since the Prior Actuarial Valuation

The following were changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liability since the prior measurement period:

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the total OPEB liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee in 2020. This change increase the total OPEB liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the total OPEB liability.
- The discount rate was changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018. This change lowered the total OPEB liability \$2.3 billion.

Changes of benefit terms since the prior measurement date which became effective September 1, 2017 are as follows:

- Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.
- Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants.
- Allowed the System to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period.
- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan Years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums.

For the year ended August 31, 2019, the District recognized OPEB expense of \$189,955 and revenue of \$72,049 for support provided by the State.

At August 31, 2019, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

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	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Differences between expected and actual economic experience	\$176,188	\$ 52,397
Changes in actuarial assumptions	55,404	997,515
Difference between projected and actual investment earnings	581	-
Changes in proportion and difference between District contributions and proportionate share of contributions	247,897	-
Contributions paid to TRS subsequent to the measurement date	<u>47,898</u>	<u>-</u>
Total	<u>\$527,968</u>	<u>\$1,049,912</u>

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

Plan Year Ended <u>August 31</u>	<u>OPEB Exp. Amount</u>
2019	(\$ 99,834)
2020	( 99,834)
2021	( 99,834)
2022	( 99,944)
2023	( 100,007)
Thereafter	( 70,387)

9. Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments have been recognized as equal revenues and expenditures by the District in the amount of \$18,887, \$17,544, and \$17,037 for the years ended August 31, 2019, 2018, and 2017, respectively.

J. Commitments and Contingencies

1. Contingencies

The District participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

## **MILLSAP INDEPENDENT SCHOOL DISTRICT**

### *NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2019*

#### 2. Litigation

No reportable litigation was pending against the District as of August 31, 2019.

#### 3. Operating Leases

The District has no significant operating leases as of August 31, 2019.

#### K. Shared Services Arrangements

The District is a member of the Parker County Education Shared Services Arrangement (SSA). The SSA provides services for special education to member districts. Peaster Independent School District is the fiscal agent for the SSA. In addition to the District, other member districts participate in the special education cooperative. The fiscal agent provides SSA services. The member districts provide the funds to the fiscal agent. The Shared Services Arrangements – Special Education has been accounted for using Model 3 in the SSA section of the TEA Resource Guide. The District has accounted for the payments to the fiscal agent of the SSA in the General Fund as intergovernmental expenditures. The District's expenditures to the SSA for the current year totaled \$173,286.

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in capital assets purchased by the fiscal agent, nor does the District have a net equity interest in the fiscal agent.

***REQUIRED SUPPLEMENTARY INFORMATION***

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

Data Control Codes		Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
		Original	Final		
	Revenues:				
5700	Local and intermediate sources	4,284,068	\$ 4,392,068	\$ 4,428,762	\$ 36,694
5800	State program revenues	5,742,436	6,086,416	6,219,505	133,089
5900	Federal program revenues	140,486	475,751	474,775	(976)
5020	Total revenues	10,166,990	10,954,235	11,123,042	168,807
	Expenditures:				
	Instruction & instructional related services:				
0011	Instruction	5,402,076	5,456,748	5,333,060	123,688
0012	Instructional resources and media services	49,534	49,054	34,804	14,250
0013	Curriculum and staff development	59,540	60,566	42,072	18,494
	Total instruction and instructional related services	5,511,150	5,566,368	5,409,936	156,432
	Instructional and school leadership:				
0023	School leadership	642,913	673,113	671,644	1,469
	Total instructional and school leadership	642,913	673,113	671,644	1,469
	Support services - student (pupil):				
0031	Guidance, counseling and evaluation services	255,445	256,395	233,119	23,276
0033	Health services	139,331	143,871	142,442	1,429
0034	Student transportation	451,231	566,081	487,839	78,242
0035	Food services	19,508	19,508	15,033	4,475
0036	Cocurricular/extracurricular activities	468,100	575,340	424,641	150,699
	Total support services - student (pupil)	1,333,615	1,561,195	1,303,074	258,121
	Administrative support services:				
0041	General administration	777,564	752,873	694,124	58,749
	Total administrative support services	777,564	752,873	694,124	58,749
	Support services - nonstudent based:				
0051	Facilities maintenance and operations	1,399,136	1,522,057	1,262,398	259,659
0052	Security and monitoring services	31,981	31,981	23,435	8,546
0053	Data processing services	16,041	22,041	20,187	1,854
	Total support services - nonstudent based	1,447,158	1,576,079	1,306,020	270,059
	Debt service:				
0071	Principal on long-term debt	139,000	139,000	139,000	-
0072	Interest on long-term debt	62,920	62,920	62,915	5
0073	Bond issuance costs and fees	6,500	6,500	3,900	2,600
	Total debt service	208,420	208,420	205,815	2,605
	Capital outlay:				
0081	Capital outlay	5,010	38,360	37,554	806
	Total capital outlay	5,010	38,360	37,554	806
	Intergovernmental charges:				
0093	Payments to SSAs	190,300	190,300	173,286	17,014
0099	Other intergovernmental charges	-	96,000	95,226	774
	Total intergovernmental charges	190,300	286,300	268,512	17,788
6030	Total expenditures	10,116,130	10,662,708	9,896,679	766,029

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

Data Control Codes		Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
		Original	Final		
1100	Excess of revenues over (under) expenditures	50,860	291,527	1,226,363	934,836
	Other financing uses:				
8911	Transfers out	(50,860)	(62,860)	-	62,860
7080	Total other financing uses	(50,860)	(62,860)	-	62,860
1200	Net change in fund balance	-	228,667	1,226,363	997,696
0100	Fund balance - beginning	4,429,934	4,429,934	4,429,934	-
3000	Fund balance - ending	\$ 4,429,934	\$ 4,658,601	\$ 5,656,297	\$ 997,696



**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**TEACHER RETIREMENT SYSTEM OF TEXAS**  
**YEAR ENDED AUGUST 31, 2019**

	2019	2018	2017	2016	2015
District's proportion of the net pension liability	<u>0.0043156699%</u>	<u>0.0040468156%</u>	<u>0.0045083000%</u>	<u>0.0045524000%</u>	<u>0.0022094000%</u>
District's proportionate share of the net pension liability	\$ 2,375,449	\$ 1,293,954	\$ 1,703,630	\$ 1,503,167	\$ 590,161
State's proportionate share of the net pension liability associated with the District	<u>5,343,967</u>	<u>3,167,018</u>	<u>3,687,620</u>	<u>3,365,827</u>	<u>2,750,380</u>
Total	<u>\$ 7,719,416</u>	<u>\$ 4,460,972</u>	<u>\$ 5,391,250</u>	<u>\$ 4,868,994</u>	<u>\$ 3,340,541</u>
District's covered payroll	<u>\$ 5,894,096</u>	<u>\$ 5,607,135</u>	<u>\$ 5,511,808</u>	<u>\$ 4,988,621</u>	<u>\$ 4,615,030</u>
District's proportionate share of the net pension liability as a percentage of its covered payroll	<u>40.30%</u>	<u>23.08%</u>	<u>30.91%</u>	<u>30.13%</u>	<u>12.79%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>73.74%</u>	<u>82.17%</u>	<u>78.00%</u>	<u>78.43%</u>	<u>83.25%</u>

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

The column label is the District's fiscal year. The data is derived from the Teacher Retirement System of Texas's Comprehensive Annual Financial Report for the preceding year.

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF DISTRICT'S PENSION CONTRIBUTIONS**  
**TEACHER RETIREMENT SYSTEM OF TEXAS**  
**YEAR ENDED AUGUST 31, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 146,219	\$ 145,384	\$ 57,663	\$ 143,241	\$ 125,915
Contributions in relation to the contractually required contribution	<u>(146,219)</u>	<u>(145,384)</u>	<u>(57,663)</u>	<u>(143,241)</u>	<u>(125,915)</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	<u>\$ 6,119,264</u>	<u>\$ 5,894,096</u>	<u>\$ 5,607,135</u>	<u>\$ 5,511,808</u>	<u>\$ 4,988,621</u>
Contributions as a percentage of covered payroll	<u>2.39%</u>	<u>2.47%</u>	<u>1.03%</u>	<u>2.60%</u>	<u>2.52%</u>

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

Note - the contractually required contributions is for the District's indicated fiscal year.

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OTHER POST EMPLOYMENT BENEFIT (OPEB) LIABILITY**  
**TEACHER RETIREMENT SYSTEM OF TEXAS**  
**YEAR ENDED AUGUST 31, 2019**

	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	<u>0.0066494934%</u>	<u>0.0061973323%</u>
District's proportionate share of the net OPEB liability	\$ 3,320,153	\$ 2,694,987
State's proportionate share of the net OPEB liability associated with the District	<u>5,222,269</u>	<u>4,549,552</u>
Total	<u>\$ 8,542,422</u>	<u>\$ 7,244,539</u>
District's covered payroll	<u>\$ 5,894,096</u>	<u>\$ 5,607,135</u>
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	<u>56.33%</u>	<u>48.06%</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>1.57%</u>	<u>0.91%</u>

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 75, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been prepared.

The column label is the District's fiscal year. The data is derived from the Teacher Retirement System of Texas's Comprehensive Annual Financial Report for the preceding year.

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF DISTRICT'S OTHER POST EMPLOYMENT BENEFIT (OPEB) CONTRIBUTIONS**  
**TEACHER RETIREMENT SYSTEM OF TEXAS**  
**YEAR ENDED AUGUST 31, 2019**

	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 47,898	\$ 45,871
Contributions in relation to the contractually required contribution	<u>(47,898)</u>	<u>(45,871)</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	<u>\$ 6,119,264</u>	<u>\$ 5,894,096</u>
Contributions as a percentage of covered payroll	<u>0.78%</u>	<u>0.78%</u>

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 75, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

Note - the contractually required contribution is for the District's indicated fiscal year.

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

A. Budget

1. Basis of Budgeting

The Millsap Independent School District's (District) budget for the General Fund is prepared and presented on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

2. Budget Process

a. Budgeting

Annual budgets are legally adopted for the General Fund, Debt Service Fund, and Food Service Fund. The annual budget is presented in the accompanying schedule for the General Fund. The following procedures are used in establishing the budgetary data reflected in that schedule:

1. Prior to August 20th of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1st. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board of Trustees is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Prior to September 1st, the budget is legally enacted through passage of a resolution by the Board of Trustees.

The budget is prepared and controlled by the budget officer at the revenue object and expenditure function level.

The official budget for the General Fund was prepared and adopted through Board resolution before August 31, 2018. The administration performs budget reviews by which budget requirements are re-evaluated and revisions recommended to the Board. The Board may approve amendments to the budget, which are required when a change is made to the functional expenditure categories or revenue object accounts, as defined by the Texas Education Agency. Total expenditures may exceed total appropriations, as amended, by fund as long as those expenditures are certified as being available by the budget officer to the Board. The budget amounts reflected in the accompanying schedule represent final amended budget amounts as approved by the Board.

b. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments are recorded in order to reserve that portion of the applicable appropriation, is used in all governmental funds. There are no outstanding encumbrances at year-end as all encumbrances at that date are canceled and re-appropriated in the subsequent fiscal year's budget to provide for their liquidation.

B. Defined Benefit Pension Plan

1. Change of Benefit Terms

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

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

2. Changes of Assumptions

Assumptions, methods, and plan changes which are specific to the pension trust fund were updated from the prior year's report. The net pension liability increased significantly since the prior measurement date due to a change in the following actuarial assumptions:

- The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8.0% as of August 31, 2017 to 6.907% as of August 31, 2018.
- The long-term assumed rate of return changed from 8.0% to 7.25%.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net pension liability.

C. OPEB Plan

1. Change of Benefit Terms

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

2. Changes of Assumptions

The following assumptions and other inputs which are specific to TRS-Care were updated from the prior year's report:

- a. Significant plan changes were adopted during fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates.
- b. The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
- c. The discount rate changed from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017. This change lowered the total OPEB liability.

In this valuation, the impact of the Cadillac Tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.50%.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by a 25 basis point addition to the long-term trend rate assumption.

**NONMAJOR GOVERNMENTAL FUNDS COMBINING STATEMENTS**

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**AUGUST 31, 2019**

Data Control Codes		211 ESEA Title I Improving Basic Programs	240 National School Breakfast/Lunch Program	244 Career and Technical - Basic Grant
<b>Assets</b>				
1110	Cash and cash equivalents	\$ 6,391	\$ 44,197	\$ -
1240	Due from other governments	-	15,558	-
1000	Total assets	<u>\$ 6,391</u>	<u>\$ 59,755</u>	<u>\$ -</u>
<b>Liabilities</b>				
2110	Accounts payable	\$ -	\$ 28,620	\$ -
2160	Accrued wages payable	5,760	12,962	-
2170	Due to other funds	-	-	-
2200	Accrued expenditures	631	265	-
2300	Unearned revenue	-	-	-
2000	Total liabilities	<u>6,391</u>	<u>41,847</u>	<u>-</u>
<b>Fund balances</b>				
Restricted fund balance:				
3450	Federal or state funds grant restriction	-	17,908	-
Assigned fund balance:				
3590	Campus activity funds	-	-	-
3000	Total fund balances	<u>-</u>	<u>17,908</u>	<u>-</u>
4000	Total liabilities and fund balances	<u>\$ 6,391</u>	<u>\$ 59,755</u>	<u>\$ -</u>



255 ESEA II, A Training and Recruiting	276 Title I, 1003 School Impr. Grant	289 Title IV Part A Subpart 1	410 State Textbook Fund	429 Math Achievement	461 Campus Activity Funds	Total Nonmajor Governmental Funds (See Exhibit C-1)
\$ -	\$ 2,393	\$ -	\$ 2,461	\$ -	\$ 125,389	\$ 180,831
223	-	-	-	-	-	15,781
<u>\$ 223</u>	<u>\$ 2,393</u>	<u>\$ -</u>	<u>\$ 2,461</u>	<u>\$ -</u>	<u>\$ 125,389</u>	<u>\$ 196,612</u>
\$ -	\$ -	\$ -	\$ 791	\$ -	\$ 1,820	\$ 31,231
-	2,052	-	-	-	-	20,774
223	-	-	-	-	-	223
-	225	-	-	-	-	1,121
-	116	-	1,670	-	-	1,786
<u>223</u>	<u>2,393</u>	<u>-</u>	<u>2,461</u>	<u>-</u>	<u>1,820</u>	<u>55,135</u>
-	-	-	-	-	-	17,908
-	-	-	-	-	123,569	123,569
-	-	-	-	-	123,569	141,477
<u>\$ 223</u>	<u>\$ 2,393</u>	<u>\$ -</u>	<u>\$ 2,461</u>	<u>\$ -</u>	<u>\$ 125,389</u>	<u>\$ 196,612</u>

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

Data Control Codes		211 ESEA Title I Improving Basic Programs	240 National School Breakfast/Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II, A Training and Recruiting
<b>Revenues</b>					
5700	Local and intermediate sources	\$ -	\$ 289,539	\$ -	\$ -
5800	State program revenues	-	2,443	-	-
5900	Federal program revenues	99,304	321,590	5,482	21,081
5020	Total revenues	<u>99,304</u>	<u>613,572</u>	<u>5,482</u>	<u>21,081</u>
<b>Expenditures</b>					
0011	Instruction	81,296	-	5,482	-
0013	Curriculum and staff development	18,008	-	-	20,681
0023	School leadership	-	-	-	400
0035	Food services	-	553,676	-	-
0036	Cocurricular/extracurricular activities	-	-	-	-
0051	Facilities maintenance and operations	-	60,934	-	-
6030	Total expenditures	<u>99,304</u>	<u>614,610</u>	<u>5,482</u>	<u>21,081</u>
1100	Excess of revenues over (under) expenditures	<u>-</u>	<u>(1,038)</u>	<u>-</u>	<u>-</u>
1200	Net change in fund balance	-	(1,038)	-	-
0100	Fund balances - beginning	<u>-</u>	<u>18,946</u>	<u>-</u>	<u>-</u>
3000	Fund balances - ending	<u>\$ -</u>	<u>\$ 17,908</u>	<u>\$ -</u>	<u>\$ -</u>

276 Title I, 1003 School Impr. Grant	289 Title IV Part A Subpart 1	410 State Textbook Fund	429 Math Achievement	461 Campus Activity Funds	Total Nonmajor Governmental Funds (See Exhibit C-2)
\$ -	\$ -	\$ -	\$ -	\$ 214,010	\$ 503,549
-	-	109,374	700	-	112,517
120,479	10,000	-	-	-	577,936
120,479	10,000	109,374	700	214,010	1,194,002
80,571	10,000	109,374	700	-	287,423
37,037	-	-	-	-	75,726
2,871	-	-	-	-	3,271
-	-	-	-	-	553,676
-	-	-	-	189,803	189,803
-	-	-	-	-	60,934
120,479	10,000	109,374	700	189,803	1,170,833
-	-	-	-	24,207	23,169
-	-	-	-	24,207	23,169
-	-	-	-	99,362	118,308
\$ -	\$ -	\$ -	\$ -	\$ 123,569	\$ 141,477

***OTHER SUPPLEMENTARY INFORMATION SECTION***

**MILLSAP INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
 FOR THE YEAR ENDED AUGUST 31, 2019**

Fiscal Year Ending August 31,	1		2	3
	Tax Rates			Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service		
2010 and Prior Years	\$ Various	\$ Various	\$	Various
2011	1.1700	0.4950		290,866,726
2012	1.1700	0.4950		272,555,195
2013	1.1700	0.4950		277,989,806
2014	1.1700	0.4950		277,941,765
2015	1.1700	0.4950		290,199,996
2016	1.1700	0.4950		297,033,052
2017	1.1700	0.4950		304,509,279
2018	1.1700	0.4422		336,711,202
2019 (School year under audit)	1.1700	0.4222		363,114,433
1000 Totals				

10 Beginning Balance 9/1/2018	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/2019
\$ 58,600	\$ -	\$ 256	\$ 115	\$ (149)	\$ 58,080
6,978	-	341	145	(161)	6,331
7,048	-	286	121	(61)	6,580
23,324	-	173	73	(60)	23,018
24,999	-	963	407	(5,435)	18,194
14,257	-	11,614	4,914	11,591	9,320
16,220	-	11,583	4,901	9,657	9,393
25,792	-	15,680	6,634	10,914	14,392
67,903	-	31,961	12,080	3,514	27,376
-	5,781,508	4,168,784	1,504,325	(15,183)	93,216
<u>\$ 245,121</u>	<u>\$ 5,781,508</u>	<u>\$ 4,241,641</u>	<u>\$ 1,533,715</u>	<u>\$ 14,627</u>	<u>\$ 265,900</u>

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**NATIONAL SCHOOL LUNCH AND BREAKFAST PROGRAM**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

Data Control Codes		Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
		Original	Final		
	Revenues:				
5700	Local and intermediate sources	\$ 280,727	\$ 284,727	\$ 289,539	\$ 4,812
5800	State program revenues	2,100	2,100	2,443	343
5900	Federal program revenues	275,335	317,535	321,590	4,055
5020	Total revenues	<u>558,162</u>	<u>604,362</u>	<u>613,572</u>	<u>9,210</u>
	Expenditures:				
	Current:				
	Support services - student (pupil):				
0035	Food services	<u>548,022</u>	<u>595,222</u>	<u>553,676</u>	<u>41,546</u>
	Total support services - student (pupil)	<u>548,022</u>	<u>595,222</u>	<u>553,676</u>	<u>41,546</u>
	Support services - nonstudent based:				
0051	Facilities maintenance and operations	<u>61,000</u>	<u>61,000</u>	<u>60,934</u>	<u>66</u>
	Total support services - nonstudent based	<u>61,000</u>	<u>61,000</u>	<u>60,934</u>	<u>66</u>
6030	Total expenditures	<u>609,022</u>	<u>656,222</u>	<u>614,610</u>	<u>41,612</u>
1100	Excess of revenues over (under) expenditures	<u>(50,860)</u>	<u>(51,860)</u>	<u>(1,038)</u>	<u>50,822</u>
	Other financing sources:				
7915	Transfers in	<u>50,860</u>	<u>51,860</u>	<u>-</u>	<u>(51,860)</u>
7080	Total other financing sources	<u>50,860</u>	<u>51,860</u>	<u>-</u>	<u>(51,860)</u>
1200	Net change in fund balance	-	-	(1,038)	(1,038)
0100	Fund balance - beginning	18,946	18,946	18,946	-
3000	Fund balance - ending	<u>\$ 18,946</u>	<u>\$ 18,946</u>	<u>\$ 17,908</u>	<u>\$ (1,038)</u>

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**DEBT SERVICE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

Data Control Codes		Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
		Original	Final		
	Revenues:				
5700	Local and intermediate sources	\$ 1,519,497	\$ 1,519,497	\$ 1,579,308	\$ 59,811
5800	State program revenues	25,624	25,624	41,198	15,574
5020	Total revenues	<u>1,545,121</u>	<u>1,545,121</u>	<u>1,620,506</u>	<u>75,385</u>
	Expenditures:				
	Debt service:				
0071	Principal on long-term debt	566,807	566,807	566,805	2
0072	Interest on long-term debt	847,998	847,998	847,995	3
0073	Bond issuance costs and fees	130,316	130,316	2,936	127,380
	Total debt service	<u>1,545,121</u>	<u>1,545,121</u>	<u>1,417,736</u>	<u>127,385</u>
6030	Total expenditures	<u>1,545,121</u>	<u>1,545,121</u>	<u>1,417,736</u>	<u>127,385</u>
1100	Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>202,770</u>	<u>202,770</u>
1200	Net change in fund balance	<u>-</u>	<u>-</u>	<u>202,770</u>	<u>202,770</u>
0100	Fund balance - beginning	<u>1,125,000</u>	<u>1,125,000</u>	<u>1,125,000</u>	<u>-</u>
3000	Fund balance - ending	<u>\$ 1,125,000</u>	<u>\$ 1,125,000</u>	<u>\$ 1,327,770</u>	<u>\$ 202,770</u>





## EDGIN, PARKMAN, FLEMING & FLEMING, PC

CERTIFIED PUBLIC ACCOUNTANTS

4110 KELL BLVD., SECOND FLOOR ▪ P.O. Box 750  
WICHITA FALLS, TEXAS 76307-0750  
PH. (940) 766-5550 ▪ FAX (940) 766-5778

MICHAEL D. EDGIN, CPA  
DAVID L. PARKMAN, CPA  
A. PAUL FLEMING, CPA

Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed In Accordance with *Government Auditing Standards*

Board of Trustees  
Millsap Independent School District  
201 E. Brazos Street  
Millsap, Texas 76066

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Millsap Independent School District (District) as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 31, 2019.

### **Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

Respectfully submitted,

A handwritten signature in black ink that reads "Edgin, Parkman, Fleming & Fleming, PC". The signature is written in a cursive, slightly slanted style.

Edgin, Parkman, Fleming & Fleming, PC

October 31, 2019

# MILLSAP INDEPENDENT SCHOOL DISTRICT

## SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED AUGUST 31, 2019

### A. Summary of Auditor's Results

#### 1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?        Yes   X   No

Significant deficiencies identified that are not considered to be material weaknesses?        Yes   X   None reported

Noncompliance material to the financial statements noted?        Yes   X   No

#### 2. Federal Awards

A Single Audit was not required for the year ended August 31, 2019.

### B. Financial Statement Findings

None

### C. Federal Award Findings and Questioned Costs

A Single Audit was not required for the year ended August 31, 2019.

# **MILLSAP INDEPENDENT SCHOOL DISTRICT**

## **Audit Corrective Action Plan Year Ended August 31, 2019**

There were no findings in the current year.

# **MILLSAP INDEPENDENT SCHOOL DISTRICT**

## **Summary Schedule of Prior Audit Findings Year Ended August 31, 2019**

There were no findings in the prior year.

**MILLSAP INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL  
FIRST INDICATORS (UNAUDITED)  
FOR THE YEAR ENDED AUGUST 31, 2019**

<u>Data Control Codes</u>		<u>Responses</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other governmental agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	What was the total accumulated accretion on capital appreciation bonds (CABs) included in government-wide financial statements at fiscal year-end?	\$ 364,923
SF11	Net Pension Assets (object 1920) at fiscal year-end.	\$ -
SF12	Net Pension Liabilities (object 2540) at fiscal year-end.	\$ 2,375,449
SF13	Pension Expense (object 6147) at fiscal year-end	\$ -