

**MILLSAP INDEPENDENT SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED AUGUST 31, 2022**

**MILLSAP INDEPENDENT SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2022**

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**MILLSAP INDEPENDENT SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2022**

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***INTRODUCTORY SECTION***

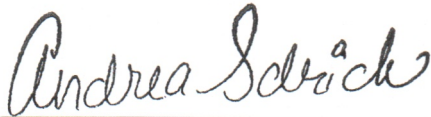
CERTIFICATE OF BOARD

Millsap Independent School District  
Name of School District

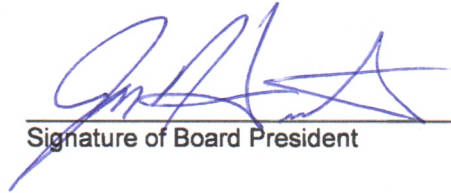
Parker  
County

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, 2022, at a meeting of the Board of Trustees of such school district on the 19<sup>th</sup> day of December, 2022.



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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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:

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the 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, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

#### ***Basis of Opinions***

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

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

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

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, and schedules related to the District's participation in the Teacher Retirement System identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



**Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining schedules of nonmajor fund governmental financial statements and accompanying other supplementary information comprised of required Texas Education Agency schedules and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information 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 other supplementary information comprised of required Texas Education Agency schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the Schedule of Required Responses to Selected School FIRST Indicators but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2022, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,



Edgin, Parkman, Fleming & Fleming, PC

December 8, 2022

## 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, 2022. 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, 2022 by \$6,621,655 (net position). Of this amount, the amount of net position that is unrestricted and may be used to meet the District's obligations is \$3,044,860.
- During the year, the District's net position increased by \$2,030,182 as a result of current operations. The District's expenses, which totaled \$14,362,759, were less than the District's program revenues of \$1,599,369 and general revenues of \$14,793,572.
- The total cost of the District's programs decreased \$417,530 from last year. The decrease is mainly attributable to actuarial changes in the pension and OPEB plans between years.
- The governmental funds reported a fund balance this year of \$10,311,643, which is an increase of \$1,902,500 in comparison with the prior year amount.
- At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$4,512,130, or 37% 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 net position.

### **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 is the District's net position summarized for the *governmental activities*.

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

|                                  | Governmental Activities |              |              |          |
|----------------------------------|-------------------------|--------------|--------------|----------|
|                                  | 2022                    | 2021         | Change       | % Change |
| Current and other assets         | \$ 11,169,171           | \$ 9,431,014 | \$ 1,738,157 | 18%      |
| Capital assets, net              | 17,554,517              | 18,470,730   | (916,213)    | -5%      |
| Total Assets                     | 28,723,688              | 27,901,744   | 821,944      | 3%       |
| TRS and Refunding Outflows       | 3,625,231               | 3,827,053    | (201,822)    | 100%     |
| Total Deferred Outflows          | 3,625,231               | 3,827,053    | (201,822)    | 100%     |
| Current liabilities              | 776,448                 | 936,803      | (160,355)    | -17%     |
| Noncurrent liabilities           | 21,314,639              | 23,540,520   | (2,225,881)  | -9%      |
| Total Liabilities                | 22,091,087              | 24,477,323   | (2,386,236)  | -10%     |
| TRS Related Outflows             | 3,636,177               | 2,660,001    | 976,176      | 100%     |
| Total Deferred Outflows          | 3,636,177               | 2,660,001    | 976,176      | 100%     |
| Net position:                    |                         |              |              |          |
| Net investment in capital assets | 1,899,679               | 1,847,702    | 51,977       | 3%       |
| Restricted                       | 1,677,116               | 1,431,297    | 245,819      | 17%      |
| Unrestricted                     | 3,044,860               | 1,312,474    | 1,732,386    | 132%     |
| Total Net Position               | \$ 6,621,655            | \$ 4,591,473 | \$ 2,030,182 | 44%      |

Net 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 \$1,899,679. 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, \$1,677,116, represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position totaling \$3,044,860 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 \$16,392,941. A significant portion, 43%, of the District's revenue comes from property taxes. Unrestricted grants and contributions, which includes state aid formula grants, provided 47% of the revenues and 7% 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, 2022 and 2021 for the District's *governmental activities*.

**Table 2 - District's Revenues**

|   | Governmental Activities |             |                      |             |
|---|-------------------------|-------------|----------------------|-------------|
|   | 2022                    | Percent     | 2021                 | Percent     |
| Charges for services                    | \$ 373,150              | 2%          | \$ 253,870           | 2%          |
| Operating grants and contributions      | 1,226,219               | 7%          | 1,863,179            | 12%         |
| Property taxes                          | 6,916,235               | 43%         | 6,411,559            | 40%         |
| Grants and contributions not restricted | 7,766,324               | 47%         | 7,327,064            | 46%         |
| Investment earnings                     | 63,516                  | 1%          | 15,940               | 0%          |
| Miscellaneous                           | 47,497                  | 0%          | 26,037               | 0%          |
| Total Revenues                          | <u>\$ 16,392,941</u>    | <u>100%</u> | <u>\$ 15,897,649</u> | <u>100%</u> |

Exhibited below in Table 3 are the District's expenses for the years ended August 31, 2022 and 2021 for the District's *governmental activities*. The total cost of all programs and services was \$14,362,759. Instructional and related costs totaled 54% of these costs while student support was 18% and nonstudent support was 12%.

**Table 3 - District's Expenses**

|                         | Governmental Activities |             |                      |             |
|-------------------------|-------------------------|-------------|----------------------|-------------|
|                         | 2022                    | Percent     | 2021                 | Percent     |
| Instructional & related | \$ 7,619,453            | 54%         | \$ 8,170,144         | 54%         |
| Leadership              | 767,678                 | 5%          | 842,003              | 6%          |
| Student support         | 2,567,730               | 18%         | 2,317,006            | 16%         |
| Administrative support  | 779,815                 | 5%          | 860,484              | 6%          |
| Nonstudent support      | 1,759,275               | 12%         | 1,719,509            | 12%         |
| Other                   | 868,808                 | 6%          | 871,143              | 6%          |
| Total Expenses          | <u>\$ 14,362,759</u>    | <u>100%</u> | <u>\$ 14,780,289</u> | <u>100%</u> |

### 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 |                     |                   |            |
|---|-------------------------|---------------------|-------------------|------------|
|   | 2022                    | 2021                | Change            | % Change   |
| <b>Revenues:</b>                                |                         |                     |                   |            |
| Program revenues:                               |                         |                     |                   |            |
| Charges for services                            | \$ 373,150              | \$ 253,870          | \$ 119,280        | 47%        |
| Operating grants and contributions              | 1,226,219               | 1,863,179           | (636,960)         | -34%       |
| General revenues:                               |                         |                     |                   |            |
| Property taxes                                  | 6,916,235               | 6,411,559           | 504,676           | 8%         |
| Grants and contributions not restricted         | 7,766,324               | 7,327,064           | 439,260           | 6%         |
| Investment earnings                             | 63,516                  | 15,940              | 47,576            | 298%       |
| Miscellaneous                                   | 47,497                  | 26,041              | 21,456            | 82%        |
| Total revenues                                  | <u>16,392,941</u>       | <u>15,897,653</u>   | <u>495,288</u>    | <u>3%</u>  |
| <b>Expenses</b>                                 |                         |                     |                   |            |
| Instruction                                     | 7,482,351               | 7,972,331           | (489,980)         | -6%        |
| Instructional resources and media services      | 42,080                  | 35,871              | 6,209             | 17%        |
| Curriculum and staff development                | 95,022                  | 161,942             | (66,920)          | -41%       |
| School leadership                               | 767,678                 | 842,003             | (74,325)          | -9%        |
| Guidance, counseling, and evaluation services   | 343,820                 | 299,100             | 44,720            | 15%        |
| Health services                                 | 161,776                 | 207,047             | (45,271)          | -22%       |
| Student (pupil) transportation                  | 477,397                 | 425,897             | 51,500            | 12%        |
| Food services                                   | 815,321                 | 706,524             | 108,797           | 15%        |
| Cocurricular/extracurricular activities         | 769,416                 | 678,438             | 90,978            | 13%        |
| General administration                          | 779,815                 | 860,484             | (80,669)          | -9%        |
| Facilities maintenance and operations           | 1,588,723               | 1,526,542           | 62,181            | 4%         |
| Security and monitoring services                | 81,248                  | 90,364              | (9,116)           | N/A        |
| Data processing services                        | 89,304                  | 102,603             | (13,299)          | -13%       |
| Interest on long-term debt                      | 557,116                 | 591,882             | (34,766)          | -6%        |
| Bond issuance costs and fees                    | 19,514                  | 5,730               | 13,784            | 241%       |
| Payments related to shared service arrangements | 183,012                 | 162,357             | 20,655            | 13%        |
| Intergovernmental charges                       | 109,166                 | 111,174             | (2,008)           | -2%        |
| Total expenses                                  | <u>14,362,759</u>       | <u>14,780,289</u>   | <u>(417,530)</u>  | <u>-3%</u> |
| Change in net position                          | <u>\$ 2,030,182</u>     | <u>\$ 1,117,364</u> | <u>\$ 912,818</u> | <u>82%</u> |

Significant changes between years are as follows:

- Operating grants and contributions decreased \$636,960, or 34%, due mainly to actuarial changes in pension and OPEB liabilities that reduced on-behalf revenues between years.
- Property taxes increased \$504,676 as a result of increased values that were not offset by decreased tax rates.
- Grants and contributions not restricted increased by \$439,260, or 6%, mainly due to additional state accrual days and increased enrollment.
- Instruction decreased \$489,980, or 6%, due to reduction on pension and OPEB expenses offset by the District adding several positions and pay raises.

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 |             |                      |             |
|-------------------------|-------------------------|-------------|----------------------|-------------|
|                         | 2022                    | Percent     | 2021                 | Percent     |
| Instructional & related | \$ 7,302,998            | 58%         | \$ 7,172,574         | 57%         |
| Leadership              | 692,813                 | 5%          | 770,855              | 6%          |
| Student support         | 1,454,330               | 11%         | 1,486,506            | 12%         |
| Administrative support  | 782,766                 | 6%          | 821,582              | 6%          |
| Nonstudent support      | 1,695,308               | 13%         | 1,579,041            | 12%         |
| Other                   | 835,175                 | 7%          | 832,682              | 7%          |
| Total Net Costs         | <u>\$ 12,763,390</u>    | <u>100%</u> | <u>\$ 12,663,240</u> | <u>100%</u> |

**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, 2022, the District's governmental funds reported a combined ending fund balance of \$10,311,643, an increase of \$1,902,500 from the previous year.

**Table 6 - Governmental Funds - Fund Balances  
August 31, 2022**

|                          | General<br>Fund     | Debt<br>Service     | Other<br>Funds    | Totals               |
|--------------------------|---------------------|---------------------|-------------------|----------------------|
| Restricted for:          |                     |                     |                   |                      |
| Federal and state grants | \$ -                | \$ -                | \$ 138,860        | \$ 138,860           |
| Debt service             | -                   | 1,457,176           | -                 | 1,457,176            |
| Committed for:           |                     |                     |                   |                      |
| Construction             | 3,287,774           | -                   | -                 | 3,287,774            |
| Insurance                | 500,000             | -                   | -                 | 500,000              |
| Capital expenditures     | 206,500             | -                   | -                 | 206,500              |
| Retirement               | 78,011              | -                   | -                 | 78,011               |
| Assigned:                |                     |                     |                   |                      |
| Campus activity funds    | -                   | -                   | 131,192           | 131,192              |
| Unassigned               | 4,512,130           | -                   | -                 | 4,512,130            |
| Total Fund Balances      | <u>\$ 8,584,415</u> | <u>\$ 1,457,176</u> | <u>\$ 270,052</u> | <u>\$ 10,311,643</u> |

**General Fund**

At the end of the current fiscal year, the ending fund balance for the General Fund was \$8,584,415 of which \$4,512,130 was unassigned. The total fund balance represents 71% of the total General Fund expenditures for the year ended August 31, 2022. The fund balance increased by \$1,662,129 in the current fiscal year.

General Fund revenues totaled \$13,722,452, an increase of \$875,534, from the preceding year. The individual revenue categories that had significant fluctuations are as follows:

- Local revenues increased by \$420,878 due to increase in taxable values somewhat offset by decreases in the two tax rates.
- State program revenues increased by \$510,800 due to an increase in state funds related to increased enrollment and attendance.

General Fund expenditures totaled \$12,154,393, a decrease of \$436,035 from the preceding year. The functional categories that changed the most were as follows:

- Instructional expenditures increased \$482,985 due to the District adding several positions and standard step increases and raises.
- Debt service decreased \$858,325 due to the District paying off the tax maintenance note early during the prior year.

### **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, 2022 is \$1,457,176, an increase of \$115,884 over the prior year. Revenues increased \$168,139 due to an increase in taxable property values offset by a small decrease in the I&S tax rate. Expenditures increased \$313,146 from the prior year due to the District making a special one-time payment of \$275,000 on the Series 2014-A bond using available funds.

### **Other Governmental Funds**

Other governmental funds consist of the various Special Revenue Funds. The total ending fund balance for other governmental funds was \$270,052, up from the \$124,487 at the end of the prior year. Revenues increased from the prior year by \$339,578 and expenditures increased \$124,017. Revenue in the National School Breakfast/Lunch Program (NSBLP) increased at the local level due to the seamless summer option that provided free lunches for most of the year and increased participation related to enrollment. Furthermore, campus activity revenue increased as there were no more COVID restrictions. Revenue also increased due to ESSER II and III funding. Expenditures for NSBLP and campus activities were up over \$250,000 on increased activity and inflation while guidance, counseling, and evaluation services was up almost \$70,000 as ESSER funds were utilized to add needed services. Instructional expenditures were down a little over \$100,000 as the District did not receive Title I, Part A, Section 1003 funding in the current year.

### **General Fund Budgetary Highlights**

Over the course of the year, the District revised its budget several times. Some of the adjustments were significant due to additional needs and circumstances. Even with these adjustments, actual expenditures were \$865,516 below final budget amounts. There were no individual functional expenditure areas with significant excess budgets except instruction and facilities maintenance and operations where costs came in under budget. Most of the excess budget is the result of conservative budgeting or uncompleted projects. On the other hand, actual revenues were \$577,543 above final budget amounts with the budget variances mainly in state revenue. Most of the positive revenue budget variance is the result of conservative budgeting of Foundation earnings.



## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

As of August 31, 2022, the District had invested in a broad range of capital assets totaling \$17,554,517, net of accumulated depreciation, including land, buildings, and furniture and equipment. See Table 7 below.

**Table 7 - Capital Assets, Net**

|                            | 2022                 | 2021                 | \$ Change           | % Change   |
|----------------------------|----------------------|----------------------|---------------------|------------|
| Land                       | \$ 947,249           | \$ 947,249           | \$ -                | 0%         |
| Buildings and improvements | 15,830,502           | 16,731,344           | (900,842)           | -5%        |
| Furniture and equipment    | 685,371              | 792,137              | (106,766)           | -13%       |
| Right-to-use leased assets | 91,395               | -                    | 91,395              | N/A        |
| Totals                     | <u>\$ 17,554,517</u> | <u>\$ 18,470,730</u> | <u>\$ (916,213)</u> | <u>-5%</u> |

Capital assets, net of accumulated depreciation, decreased \$916,213 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, 2022, the District had \$16,858,846 in bonds and compensated absences as shown in Table 8 below.

**Table 8 - Long-term Debt**

|                              | 2022                 | 2021                 | \$ Change             | % Change   |
|------------------------------|----------------------|----------------------|-----------------------|------------|
| General obligations bonds    | \$ 15,745,000        | \$ 16,651,834        | \$ (906,834)          | -5%        |
| Premiums on bonds            | 927,249              | 1,063,431            | (136,182)             | -13%       |
| Accretion                    | -                    | 81,858               | (81,858)              | -100%      |
| Right-to-use lease liability | 91,395               | -                    | 91,395                | N/A        |
| Compensated absences         | 95,202               | 78,011               | 17,191                | 22%        |
| Totals                       | <u>\$ 16,858,846</u> | <u>\$ 17,875,134</u> | <u>\$ (1,016,288)</u> | <u>-6%</u> |

The District's bonds presently carry a rating of "A+" 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 2022-23 budget for the General Fund.

- Appraised value used for the 2022-2023 budget preparation is \$569 million, compared to the \$551 million actual appraised values in 2021-2022. This is due to increased property values and development within Millsap ISD boundaries.
- General Fund spending per student will increase by \$14 to \$13,180/student in the 2022-23 budget as compared to the actual 2021-22 fiscal year due to increased expenses.
- The District's 2022-2023 refined average daily attendance was budgeted at 1,018 which is 23 above the final ADA for the 2021-22 fiscal year.

Amounts available for appropriation in the 2022-2023 General Fund's budget are \$13,419,150 which is a 10% increase from the 2021-2022 actual General Fund expenditures of \$12,154,393.

2022-2023 revenues are budgeted at \$13,419,150 which reflects a decrease of \$303,302 from the 2021-2022 actual General Fund revenues of \$13,722,452. The decrease is due to conservative budgeting.

If these estimates are realized, the District's General Fund's fund balance will not change at August 31, 2023.

#### **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, 2022**

| Data<br>Control<br>Codes |  | 1<br><br>Governmental<br>Activities |
|--------------------------|--|-------------------------------------|
|                          | <b>Assets</b>                          |                                     |
| 1110                     | Cash and cash equivalents              | \$ 2,653,697                        |
| 1120                     | Current investments                    | 7,207,295                           |
| 1225                     | Property taxes receivable, net         | 106,086                             |
| 1240                     | Due from other governments             | 1,191,910                           |
| 1290                     | Other receivables                      | 10,183                              |
|                          | Capital assets:                        |                                     |
| 1510                     | Land                                   | 947,249                             |
| 1520                     | Buildings and improvements, net        | 15,830,502                          |
| 1530                     | Furniture and equipment, net           | 685,371                             |
| 1550                     | Right-to-use leased assets, net        | 91,395                              |
| 1000                     | Total assets                           | <u>28,723,688</u>                   |
|                          | <b>Deferred outflows of resources</b>  |                                     |
| 1701                     | Deferred loss on refunding             | 1,108,806                           |
| 1705                     | Pension-related outflows               | 1,009,177                           |
| 1706                     | OPEB-related outflows                  | 1,507,248                           |
| 1700                     | Total deferred outflows of resources   | <u>3,625,231</u>                    |
|                          | <b>Liabilities</b>                     |                                     |
| 2110                     | Accounts payable                       | 47,933                              |
| 2140                     | Accrued interest                       | 25,006                              |
| 2160                     | Accrued wages payable                  | 594,000                             |
| 2180                     | Due to other governments               | 88,086                              |
| 2200                     | Accrued expenses                       | 21,232                              |
| 2300                     | Unearned revenues                      | 191                                 |
|                          | Noncurrent liabilities:                |                                     |
| 2501                     | Portion due or payable within one year | 746,696                             |
| 2502                     | Portion due or payable after one year  | 16,112,150                          |
| 2540                     | Net pension liability                  | 1,271,732                           |
| 2545                     | Net OPEB liability                     | 3,184,061                           |
| 2000                     | Total liabilities                      | <u>22,091,087</u>                   |
|                          | <b>Deferred inflows of resources</b>   |                                     |
| 2605                     | Pension-related inflows                | 1,421,500                           |
| 2606                     | OPEB-related inflows                   | 2,214,677                           |
| 2600                     | Total deferred inflows of resources    | <u>3,636,177</u>                    |
|                          | <b>Net Position</b>                    |                                     |
| 3200                     | Net investment in capital assets       | 1,899,679                           |
|                          | Restricted for:                        |                                     |
| 3820                     | Federal and state programs             | 138,860                             |
| 3850                     | Debt service                           | 1,538,256                           |
| 3900                     | Unrestricted                           | 3,044,860                           |
| 3000                     | Total net position                     | <u>\$ 6,621,655</u>                 |

See accompanying notes to the basic financial statements.

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED AUGUST 31, 2022**

| Data<br>Control<br>Codes | Functions/Programs   | 1<br>Expenses        | 3<br>Program Revenues   |                            | 4<br>Operating<br>Grants and<br>Contributions | 6<br>Net (Expense)<br>Revenue and<br>Changes in<br>Net Position |
|--------------------------|--|----------------------|-------------------------|----------------------------|---|---|
|                          |  |                      | Charges for<br>Services | Governmental<br>Activities |   |   |
|                          | Governmental activities:                                     |                      |                         |                            |   |   |
| 11                       | Instruction  | \$ 7,482,351         | \$ -                    | \$ 278,431                 | \$ (7,203,920)                                |   |
| 12                       | Instructional resources and media services                   | 42,080               | -                       | (180)                      | (42,260)                                      |   |
| 13                       | Curriculum and staff development                             | 95,022               | -                       | 38,204                     | (56,818)                                      |   |
| 23                       | School leadership  | 767,678              | -                       | 74,865                     | (692,813)                                     |   |
| 31                       | Guidance, counseling, & evaluation services                  | 343,820              | -                       | (1,641)                    | (345,461)                                     |   |
| 33                       | Health services  | 161,776              | -                       | (1,103)                    | (162,879)                                     |   |
| 34                       | Student transportation                                       | 477,397              | -                       | 3,156                      | (474,241)                                     |   |
| 35                       | Food services  | 815,321              | 145,969                 | 552,113                    | (117,239)                                     |   |
| 36                       | Cocurricular/extracurricular activities                      | 769,416              | 227,181                 | 187,725                    | (354,510)                                     |   |
| 41                       | General administration                                       | 779,815              | -                       | (2,951)                    | (782,766)                                     |   |
| 51                       | Facilities maintenance and operations                        | 1,588,723            | -                       | 64,717                     | (1,524,006)                                   |   |
| 52                       | Security and monitoring                                      | 81,248               | -                       | (249)                      | (81,497)                                      |   |
| 53                       | Data processing services                                     | 89,304               | -                       | (501)                      | (89,805)                                      |   |
| 72                       | Interest on long-term debt                                   | 557,116              | -                       | 33,633                     | (523,483)                                     |   |
| 73                       | Bond issuance costs and fees                                 | 19,514               | -                       | -                          | (19,514)                                      |   |
| 93                       | Payments to shared service arrangements                      | 183,012              | -                       | -                          | (183,012)                                     |   |
| 99                       | Intergovernmental charges                                    | 109,166              | -                       | -                          | (109,166)                                     |   |
| TG                       | Total governmental activities                                | <u>\$ 14,362,759</u> | <u>\$ 373,150</u>       | <u>\$ 1,226,219</u>        | <u>(12,763,390)</u>                           |   |
|                          | General revenues:  |                      |                         |                            |   |   |
| MT                       | Property taxes, levied for general purposes                  |                      |                         |                            | 5,206,359                                     |   |
| DT                       | Property taxes, levied for debt service                      |                      |                         |                            | 1,709,876                                     |   |
| SF                       | State aid - formula grants                                   |                      |                         |                            | 7,538,615                                     |   |
| GC                       | Grants and contributions not restricted to specific programs |                      |                         |                            | 227,709                                       |   |
| IE                       | Investment earnings  |                      |                         |                            | 63,516  |   |
| MI                       | Miscellaneous  |                      |                         |                            | 47,497  |   |
| TR                       | Total general revenues                                       |                      |                         |                            | <u>14,793,572</u>                             |   |
| CN                       | Change in net position                                       |                      |                         |                            | 2,030,182                                     |   |
| NB                       | Net position - beginning                                     |                      |                         |                            | 4,591,473                                     |   |
| NE                       | Net position - ending  |                      |                         |                            | <u>\$ 6,621,655</u>                           |   |

See accompanying notes to the basic financial statements.

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**AUGUST 31, 2022**

| Data<br>Control<br>Codes             |   | 10<br><u>General<br/>Fund</u> | 50<br><u>Debt<br/>Service<br/>Fund</u> |
|--------------------------------------|---|-------------------------------|--|
| <b>Assets</b>                        |   |                               |  |
| 1110                                 | Cash and cash equivalents   | \$ 1,831,673                  | \$ 593,360                             |
| 1120                                 | Investments - current   | 6,345,982                     | 861,313                                |
| 1225                                 | Property taxes receivable, net  | 79,036                        | 27,050                                 |
| 1240                                 | Due from other governments  | 1,001,439                     | -                                      |
| 1290                                 | Other receivables   | 7,680                         | 2,503                                  |
| 1410                                 | Deferred expenditures   | 3,768                         | -                                      |
| 1000                                 | Total assets  | <u>\$ 9,269,578</u>           | <u>\$ 1,484,226</u>                    |
| <b>Liabilities</b>                   |   |                               |  |
| 2110                                 | Accounts payable  | \$ 27,522                     | \$ -                                   |
| 2160                                 | Accrued wages payable   | 566,653                       | -                                      |
| 2180                                 | Payable to other governments  | -                             | -                                      |
| 2200                                 | Accrued expenditures  | 11,952                        | -                                      |
| 2300                                 | Unearned revenue  | -                             | -                                      |
| 2000                                 | Total liabilities   | <u>606,127</u>                | <u>-</u>                               |
| <b>Deferred inflows of resources</b> |   |                               |  |
| 2601                                 | Unavailable revenue - property taxes                                  | 79,036                        | 27,050                                 |
| 2600                                 | Total deferred inflows of resources                                   | <u>79,036</u>                 | <u>27,050</u>                          |
| <b>Fund balances</b>                 |   |                               |  |
| Restricted fund balances:            |   |                               |  |
| 3450                                 | Federal or state funds grant restriction                              | -                             | -                                      |
| 3480                                 | Retirement of long-term debt  | -                             | 1,457,176                              |
| Committed fund balance:              |   |                               |  |
| 3510                                 | Construction  | 3,287,774                     | -                                      |
| 3520                                 | Insurance   | 500,000                       | -                                      |
| 3530                                 | Capital expenditures for equipment                                    | 206,500                       | -                                      |
| 3545                                 | Retirement  | 78,011                        | -                                      |
| Assigned fund balance:               |   |                               |  |
| 3590                                 | Other assigned fund balances  | -                             | -                                      |
| 3600                                 | Unassigned  | 4,512,130                     | -                                      |
| 3000                                 | Total fund balances   | <u>8,584,415</u>              | <u>1,457,176</u>                       |
| 4000                                 | Total liabilities, deferred inflows of resources<br>and fund balances | <u>\$ 9,269,578</u>           | <u>\$ 1,484,226</u>                    |

See accompanying notes to the basic financial statements.

| Other<br>Governmental<br>Funds | 98<br>Total<br>Governmental<br>Funds |
|--------------------------------|--------------------------------------|
| \$ 228,664                     | \$ 2,653,697                         |
| -                              | 7,207,295                            |
| -                              | 106,086                              |
| 190,471                        | 1,191,910                            |
| -                              | 10,183                               |
| -                              | 3,768                                |
| <u>\$ 419,135</u>              | <u>\$ 11,172,939</u>                 |
|                                |                                      |
| \$ 20,411                      | \$ 47,933                            |
| 27,347                         | 594,000                              |
| 88,086                         | 88,086                               |
| 13,048                         | 25,000                               |
| 191                            | 191                                  |
| <u>149,083</u>                 | <u>755,210</u>                       |
|                                |                                      |
| -                              | 106,086                              |
| <u>-</u>                       | <u>106,086</u>                       |
|                                |                                      |
| 138,860                        | 138,860                              |
| -                              | 1,457,176                            |
| -                              | 3,287,774                            |
| -                              | 500,000                              |
| -                              | 206,500                              |
| -                              | 78,011                               |
| 131,192                        | 131,192                              |
| -                              | 4,512,130                            |
| <u>270,052</u>                 | <u>10,311,643</u>                    |
|                                |                                      |
| <u>\$ 419,135</u>              | <u>\$ 11,172,939</u>                 |

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**AUGUST 31, 2022**

|                          |   |                   |                     |
|--------------------------|---|-------------------|---------------------|
| Data<br>Control<br>Codes |   |                   |                     |
|                          | Total fund balances - governmental funds (Exhibit C-1)  |                   | \$ 10,311,643       |
|                          | 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  | \$ 35,574,988     |                     |
| 1                        | Related accumulated depreciation  | <u>18,020,471</u> | 17,554,517          |
|                          | 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                        |   |                   | 106,086             |
|                          | 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  | 15,745,000        |                     |
|                          | Premiums on CIB's   | 927,249           |                     |
|                          | Right-to-use liability  | 91,395            |                     |
|                          | Deferred loss on refunding  | (1,108,806)       |                     |
| 3                        | Compensated absences  | <u>95,202</u>     | (15,750,040)        |
|                          | 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                        |   |                   | (25,006)            |
|                          | 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   | 1,271,732         |                     |
|                          | Deferred outflows - pension related items   | (1,009,177)       |                     |
|                          | Deferred inflows - pension related items  | 1,421,500         |                     |
|                          | OPEB liability  | 3,184,061         |                     |
|                          | Deferred outflows - OPEB related items  | (1,507,248)       |                     |
| 5                        | Deferred inflows - OPEB related items   | <u>2,214,677</u>  | <u>(5,575,545)</u>  |
| 19                       | Total net position - governmental activities (Exhibit A-1)  |                   | <u>\$ 6,621,655</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, 2022**

| Data<br>Control<br>Codes       |  | 10<br><br>General<br>Fund | 50<br>Debt<br>Service<br>Fund |
|--------------------------------|--|---------------------------|-------------------------------|
| <b>Revenues</b>                |  |                           |                               |
| 5700                           | Local and intermediate sources               | \$ 5,351,258              | \$ 1,718,827                  |
| 5800                           | State program revenues                       | 8,143,483                 | 33,633                        |
| 5900                           | Federal program revenues                     | 227,711                   | -                             |
| 5020                           | Total revenues                               | <u>13,722,452</u>         | <u>1,752,460</u>              |
| <b>Expenditures</b>            |  |                           |                               |
| 0011                           | Instruction                                  | 7,165,829                 | -                             |
| 0012                           | Instructional resources and media services   | 40,961                    | -                             |
| 0013                           | Curriculum and staff development             | 50,952                    | -                             |
| 0023                           | School leadership                            | 764,231                   | -                             |
| 0031                           | Guidance, counseling, & evaluation services  | 257,942                   | -                             |
| 0033                           | Health services                              | 161,996                   | -                             |
| 0034                           | Student transportation                       | 463,532                   | -                             |
| 0035                           | Food services                                | 1,296                     | -                             |
| 0036                           | Cocurricular/extracurricular activities      | 537,055                   | -                             |
| 0041                           | General administration                       | 771,245                   | -                             |
| 0051                           | Facilities maintenance and operations        | 1,476,944                 | -                             |
| 0052                           | Security and monitoring                      | 78,137                    | -                             |
| 0053                           | Data processing services                     | 88,430                    | -                             |
| 0071                           | Principal on long-term debt                  | 2,675                     | 631,834                       |
| 0072                           | Interest on long-term debt                   | 990                       | 710,228                       |
| 0073                           | Bond issuance costs and fees                 | -                         | 294,514                       |
| 0093                           | Payments to shared service arrangements      | 183,012                   | -                             |
| 0099                           | Other intergovernmental charges              | 109,166                   | -                             |
| 6030                           | Total expenditures                           | <u>12,154,393</u>         | <u>1,636,576</u>              |
| 1100                           | Excess of revenues over (under) expenditures | <u>1,568,059</u>          | <u>115,884</u>                |
| <b>Other Financing Sources</b> |  |                           |                               |
| 7913                           | Proceeds from right-to-use lease             | 94,070                    | -                             |
| 7080                           | Total other financing sources                | <u>94,070</u>             | <u>-</u>                      |
| 1200                           | Net change in fund balance                   | 1,662,129                 | 115,884                       |
| 0100                           | Fund balances - beginning                    | <u>6,922,286</u>          | <u>1,341,292</u>              |
| 3000                           | Fund balances - ending                       | <u>\$ 8,584,415</u>       | <u>\$ 1,457,176</u>           |

*See accompanying notes to the basic financial statements.*

| Other<br>Governmental<br>Funds | 98<br>Total<br>Governmental<br>Funds |
|--------------------------------|--------------------------------------|
| \$ 335,652                     | \$ 7,405,737                         |
| 46,240                         | 8,223,356                            |
| 1,231,691                      | 1,459,402                            |
| <u>1,613,583</u>               | <u>17,088,495</u>                    |
| 320,051                        | 7,485,880                            |
| -                              | 40,961                               |
| 38,288                         | 89,240                               |
| -                              | 764,231                              |
| 79,775                         | 337,717                              |
| -                              | 161,996                              |
| 5,040                          | 468,572                              |
| 777,936                        | 779,232                              |
| 199,120                        | 736,175                              |
| -                              | 771,245                              |
| 68,886                         | 1,545,830                            |
| -                              | 78,137                               |
| -                              | 88,430                               |
| -                              | 634,509                              |
| -                              | 711,218                              |
| -                              | 294,514                              |
| -                              | 183,012                              |
| -                              | 109,166                              |
| <u>1,489,096</u>               | <u>15,280,065</u>                    |
| <u>124,487</u>                 | <u>1,808,430</u>                     |
| -                              | 94,070                               |
| -                              | <u>94,070</u>                        |
| 124,487                        | 1,902,500                            |
| <u>145,565</u>                 | <u>8,409,143</u>                     |
| <u>\$ 270,052</u>              | <u>\$ 10,311,643</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, 2022**

|  |                  |                     |
|--|------------------|---------------------|
| Net change in fund balances - total governmental funds (Exhibit C-2)   |                  | \$ 1,902,500        |
| 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   | \$ 127,327       |                     |
| Depreciation expense for the year  | <u>1,043,540</u> | (916,213)           |
| 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.   |                  | (5,339)             |
| 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   | 906,834          |                     |
| Right-to-use lease liability   | <u>2,675</u>     | 909,509             |
| The accretion and amortization of capital appreciation bonds and CIB premiums are only reported in the Statement of Activities.  |                  | 218,041             |
| 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 decreased by:   |                  | 1,351               |
| Proceeds from right-to-use lease liabilities are revenue in the fund level statements but are considered increases to debt in the government-wide presentation   |                  | (94,070)            |
| Changes in liabilities for compensated absences are not reflected in the governmental fund financial statements, but are reported as increases and decreases in long-term liabilities of the government-wide statements. The liability for compensated absences increased by:                            |                  | (17,191)            |
| Amortization of deferred losses on refundings is only reported on the government-wide financial statements. Current amortization is:   |                  | (65,290)            |
| 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 less than the actuarial expense in the current year. |                  | 61,229              |
| 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 less than the actuarial expense in the current year.          |                  | <u>35,655</u>       |
| Change in net position of governmental activities (Exhibit B-1)  |                  | <u>\$ 2,030,182</u> |

*See accompanying notes to the basic financial statements.*

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**AUGUST 31, 2022**

| Data<br>Control<br>Codes |                           | Custodial<br>Funds  | Private-<br>Purpose<br>Trust Fund  |
|--------------------------|---------------------------|---------------------|------------------------------------|
|                          |                           | Student<br>Activity | Millsap<br>Education<br>Foundation |
|                          | <b>Assets</b>             |                     |                                    |
| 1110                     | Cash and cash equivalents | \$ 61,911           | \$ -                               |
| 1810                     | Restricted assets         | -                   | 198,786                            |
| 1000                     | Total assets              | <u>61,911</u>       | <u>198,786</u>                     |
|                          | <b>Net Position</b>       |                     |                                    |
| 3800                     | Restricted                | 61,911              | 198,786                            |
| 3000                     | Total net position        | <u>\$ 61,911</u>    | <u>\$ 198,786</u>                  |

*See accompanying notes to the basic financial statements.*

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**AUGUST 31, 2022**

|                               | <u>Custodial<br/>Funds</u>  | <u>Private-<br/>Purpose<br/>Trust Fund<br/>Millsap<br/>Education<br/>Foundation</u> |
|-------------------------------|-----------------------------|---|
|                               | <u>Student<br/>Activity</u> |   |
| <b>Additions:</b>             |                             |   |
| Student activities            | \$ 123,572                  | \$ -  |
| Contributions                 | -                           | 36,187  |
| Total additions               | <u>123,572</u>              | <u>36,187</u>   |
| <b>Deductions:</b>            |                             |   |
| Student activities            | 129,384                     | -   |
| Investment loss               | -                           | 12,320  |
| Scholarships paid             | -                           | 34,789  |
| Total deductions              | <u>129,384</u>              | <u>47,109</u>   |
| <b>Change in net position</b> | (5,812)                     | (10,922)  |
| Net position - beginning      | 67,723                      | 209,708   |
| Net position - ending         | <u>\$ 61,911</u>            | <u>\$ 198,786</u>   |

*See accompanying notes to the basic financial statements.*

# MILLSAP INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2022

### 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, 2022

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:

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

Private-purpose Trust Fund: The District maintains the Millsap Educational Foundation (Foundation) which is a fiduciary component unit. 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.

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.

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED AUGUST 31, 2022*

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, 2022, net property taxes receivable is calculated as follows:

|                                   |                   |
|-----------------------------------|-------------------|
| Gross property taxes receivable   | \$207,883         |
| Allowance for uncollectible taxes | <u>( 101,797)</u> |
| Net property taxes receivable     | <u>\$106,086</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.

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.



**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2022**

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                    |
| Right-to-use lease assets | 5 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 \$207,883 gross property tax receivable at August 31, 2022, the District expects to collect approximately \$75,000 in the upcoming year.

g. Compensated Absences

An employee who retires from the District shall be eligible for reimbursement for unused state leave under the following conditions:

- a. The employee's retirement is voluntary, i.e., the employee is not being discharged or nonrenewed.
- b. The employee has at least five years of service with the District.
- c. If the employee is reemployed with the District, days for which the employee received payment shall not be available to that employee.
- d. The percentage of accumulated sick leave payment for employees with 5 years of service is 50%. An increase to this percentage increases for each year of service up to 10 years of service.
- e. For professional employees, the rates of reimbursement shall be as follows:
  1. For state leave days accumulated while continuously employed by the District, the daily rate of pay of a certified substitute.
  2. For state leave days accumulated prior to continuous employment with the District, one-half the daily rate of pay of a certified substitute.
- f. For all other eligible employees, the rates of reimbursement shall be as follows:
  1. For state leave days accumulated while continuously employed by the District, the daily rate of pay of a non-degreed substitute.
  2. For state leave days accumulated prior to continuous employment with the District, one-half the daily rate of pay of a non-degreed substitute.

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2022**

h. 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, 2022 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.

i. 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.

j. 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.

k. 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 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. A total of \$4,072,285 has been committed by the Board as noted on Schedule C-1.

# MILLSAP INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2022

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. At August 31, 2022, management has assigned \$131,192 for campus activity funds.

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.

l. 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.

m. 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.

n. 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.

o. New Accounting Standard Adopted

For fiscal year 2022, the District implemented GASB Statement No. 87, "Leases". GASB Statement No. 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

# MILLSAP INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2022

### 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, 2022 other than a few expenditures that exceed their budget by minor amounts.

### 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.

### 1. Cash Deposits:

At August 31, 2022, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$5,283,688 and the bank balance was \$5,523,654. The District's cash deposits at August 31, 2022, and during the year ended August 31, 2022, 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, 2022, the Foundation maintained \$33,953 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

# MILLSAP INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2022

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, 2022, are shown below.

| <u>Investment or Investment Type</u> | <u>Weighted<br/>Maturity (Months)</u> | <u>Fair Value</u>  |
|--------------------------------------|---------------------------------------|--------------------|
| Logic                                | 1                                     | \$ 367,770         |
| Texas CLASS                          | 1                                     | 4,271,445          |
| Money Market Accounts                | N/A                                   | <u>2,568,080</u>   |
| Total                                |                                       | <u>\$7,207,295</u> |

The Foundation's investments at August 31, 2022 are shown below:

| <u>Investment or Investment Type</u> | <u>Weighted<br/>Maturity (Months)</u> | <u>Fair Value</u> |
|--------------------------------------|---------------------------------------|-------------------|
| Certificate of Deposit               | 73                                    | <u>\$164,833</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 (bank statements).

### 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 following public funds investment pools:

The Local Government Investment Cooperative (LOGIC) 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. LOGIC's governing body is a five-member board of directors comprised of employees, officers or elected officials of participant

# MILLSAP INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2022

Investment Management, Inc. LOGIC is rated at an AAA or equivalent rating from at least one nationally recognized rating agency. LOGIC seeks to maintain a net asset value of \$1.00 per unit and is designed to be used for investment of funds which may be needed at any time.

The Texas Cooperative Liquid Assets Securities System Trust (Texas CLASS) is a local government investment pool (LGIP) pursuant to Section 2256.016 of the Public Funds Investment Act, Texas Government Code (PFIA). Per state code, entities may pool any of their funds, or funds under their control to preserve principal, maintain the liquidity of the funds, and maximize yield. The Texas CLASS Trust Agreement is an agreement of indefinite term regarding the investment, reinvestment, and withdrawal of local government funds. The parties to the Trust Agreement are Texas local government entities that choose to participate in the Trust (the Participants), Public Trust Advisors, LLC (Public Trust) as Program Administrator, and UMB Bank, N.A. as Custodian. Texas CLASS seeks to maintain a net asset value of \$1.00 per unit and is designed to be used for investment of funds which may be needed at any time.

### 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.

#### 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.

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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D. Interfund Balances and Activities

1. Due To and From Other Funds

There were no balances due to and due from other funds at August 31, 2022.

2. Transfers To and From Other Funds

There were no transfers to and from other funds for the year ending August 31, 2022.

E. Capital Assets

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

|   | <u>Beginning<br/>Balances</u> | <u>Increases</u>    | <u>Decreases</u> | <u>Ending<br/>Balances</u> |
|---|-------------------------------|---------------------|------------------|----------------------------|
| <u>Governmental activities:</u>             |                               |                     |                  |                            |
| Capital assets not being depreciated:       |                               |                     |                  |                            |
| Land  | \$ 947,249                    | \$ -                | \$ -             | \$ 947,249                 |
| Capital assets being depreciated:           |                               |                     |                  |                            |
| Buildings and improvements                  | 32,331,639                    | -                   | -                | 32,331,639                 |
| Furniture and equipment                     | 2,178,501                     | 33,257              | 9,728            | 2,202,030                  |
| Right-to-use leased assets                  | -                             | 94,070              | -                | 94,070                     |
| Total capital assets being depreciated      | <u>34,510,140</u>             | <u>127,327</u>      | <u>9,728</u>     | <u>34,627,739</u>          |
| Less accumulated depreciation for:          |                               |                     |                  |                            |
| Buildings and improvements                  | 15,600,295                    | 900,842             | -                | 16,501,137                 |
| Furniture and equipment                     | 1,386,364                     | 140,023             | 9,728            | 1,516,659                  |
| Right-to-use leased assets                  | -                             | 2,675               | -                | 2,675                      |
| Total accumulated depreciation              | <u>16,986,659</u>             | <u>1,043,540</u>    | <u>9,728</u>     | <u>18,020,471</u>          |
| Total capital assets being depreciated, net | <u>17,523,481</u>             | <u>( 916,213)</u>   | <u>-</u>         | <u>16,607,268</u>          |
| Governmental activities capital assets, net | <u>\$18,470,730</u>           | <u>(\$ 916,213)</u> | <u>\$ -</u>      | <u>\$17,554,517</u>        |

Depreciation expense was charged to functions as follows:

|   |                    |
|---|--------------------|
| <u>Governmental activities:</u>             |                    |
| Instruction                                 | \$ 584,458         |
| Instructional Resources and Media Services  | 3,233              |
| Curriculum and Staff Development            | 7,044              |
| School Leadership                           | 60,324             |
| Guidance, Counseling, & Evaluation Services | 26,657             |
| Health Services                             | 12,787             |
| Student Transportation                      | 36,554             |
| Food Services                               | 61,508             |
| Extracurricular Activities                  | 58,110             |
| General Administration                      | 59,890             |
| Facilities Maintenance and Operations       | 119,827            |
| Security and Monitoring Services            | 6,168              |
| Data Processing Services                    | 6,980              |
| Total governmental depreciation             | <u>\$1,043,540</u> |

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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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, 2022, are as follows:

|                                 | Beginning<br>Balance | Increases        | Decreases          | Ending<br>Balance   | Amounts<br>Due Within<br>One Year |
|---------------------------------|----------------------|------------------|--------------------|---------------------|-----------------------------------|
| <u>Governmental Activities:</u> |                      |                  |                    |                     |                                   |
| General obligation bonds        | \$16,651,834         | \$ -             | \$ 906,834         | \$15,745,000        | \$730,000                         |
| Premiums collected on CIBs      | 1,063,432            | -                | 136,183            | 927,249             | -                                 |
| Accretion                       | 81,858               | 1,308            | 83,166             | -                   | -                                 |
| Right-to-use lease payable      | -                    | 94,070           | 2,675              | 91,395              | 16,696                            |
| Compensated absences *          | 78,011               | 17,191           | -                  | 95,202              | -                                 |
| Total governmental activities   | <u>\$17,875,135</u>  | <u>\$112,569</u> | <u>\$1,128,858</u> | <u>\$16,858,846</u> | <u>\$746,696</u>                  |

\* Compensated absences are considered other long-term liabilities and are typically liquidated in the General Fund.

2. General Obligation Bonds

Unlimited Tax Refunding Bonds, Series 2014

The Unlimited Tax Refunding Bonds, Series 2014, consist only of Cash Interest Bonds (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 Cash Appreciation Bonds (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, 2024 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



# MILLSAP INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2022

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.

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 for the year ended August 31, 2022, is as follows:

|  | Amounts<br>Outstanding<br>9/1/21 | Issued      | Retired          | Amounts<br>Outstanding<br>8/31/22 | Amounts<br>Due Within<br>One Year |
|--|----------------------------------|-------------|------------------|-----------------------------------|-----------------------------------|
| Unlimited Tax Refunding Bonds,<br>Series 2014:   |                                  |             |                  |                                   |                                   |
| Current Interest Bonds                           | \$ 1,865,000                     | \$ -        | \$445,000        | \$ 1,420,000                      | \$455,000                         |
| Unlimited Tax Refunding Bonds,<br>Series 2014-A: |                                  |             |                  |                                   |                                   |
| Capital Appreciation Bonds                       | 31,834                           | -           | 31,834           | -                                 | -                                 |
| Current Interest Bonds                           | 4,775,000                        | -           | 275,000          | 4,500,000                         | 120,000                           |
| Unlimited Tax Refunding Bonds,<br>Series 2015:   |                                  |             |                  |                                   |                                   |
| Current Interest Bonds                           | 7,820,000                        | -           | -                | 7,820,000                         | -                                 |
| Unlimited Tax Refunding Bonds,<br>Series 2016:   |                                  |             |                  |                                   |                                   |
| Current Interest Bonds                           | <u>2,160,000</u>                 | <u>-</u>    | <u>155,000</u>   | <u>2,005,000</u>                  | <u>155,000</u>                    |
| Total general obligation bonds                   | <u>\$16,651,834</u>              | <u>\$ -</u> | <u>\$906,834</u> | <u>\$15,745,000</u>               | <u>\$730,000</u>                  |

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.

Debt service requirements for the above general obligation bonds payable are as follows:

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2022**

| <u>Year Ending August 31,</u> | <u>General Obligation Bonds</u> |                    |                     |
|-------------------------------|---------------------------------|--------------------|---------------------|
|                               | <u>Principal</u>                | <u>Interest</u>    | <u>Total</u>        |
| 2023                          | \$ 730,000                      | \$ 600,138         | \$ 1,330,138        |
| 2024                          | 750,000                         | 575,625            | 1,325,625           |
| 2025                          | 780,000                         | 547,600            | 1,327,600           |
| 2026                          | 935,000                         | 513,300            | 1,448,300           |
| 2027                          | 965,000                         | 476,175            | 1,441,175           |
| 2028-2032                     | 5,320,000                       | 1,785,075          | 7,105,075           |
| 2033-2037                     | <u>6,265,000</u>                | <u>646,700</u>     | <u>6,911,700</u>    |
| Totals                        | <u>\$15,745,000</u>             | <u>\$5,144,613</u> | <u>\$20,889,613</u> |

3. Right-to-Use Lease Payable

The Public Property Finance Act authorizes the District to enter into lease agreements for the purchase of personal property.

The District entered into a lease agreement for copier equipment in the amount of \$94,070 during the year ended August 31, 2022. The lease required 60 monthly payments of \$1,832 and carries an interest rate of 6.3%.

The commitment under the right-to-use lease agreement provides for minimum future lease payments as of August 31, 2022, as follows:

| <u>Year Ending August 31,</u> | <u>Right-to-Use Lease Payable</u> |                 |                  |
|-------------------------------|-----------------------------------|-----------------|------------------|
|                               | <u>Principal</u>                  | <u>Interest</u> | <u>Total</u>     |
| 2023                          | \$16,696                          | \$ 5,294        | \$ 21,990        |
| 2024                          | 17,781                            | 4,209           | 21,990           |
| 2025                          | 18,937                            | 3,053           | 21,990           |
| 2026                          | 20,168                            | 1,822           | 21,990           |
| 2027                          | <u>17,813</u>                     | <u>512</u>      | <u>18,325</u>    |
| Totals                        | <u>\$91,395</u>                   | <u>\$14,890</u> | <u>\$106,285</u> |

4. Debt Service Requirements

Debt service requirements on the long-term debt at August 31, 2022 are as follows:

| <u>Year Ending August 31,</u> | <u>Governmental Activities</u> |                    |                     |
|-------------------------------|--------------------------------|--------------------|---------------------|
|                               | <u>Principal</u>               | <u>Interest</u>    | <u>Total</u>        |
| 2023                          | \$ 746,696                     | \$ 605,432         | \$ 1,352,128        |
| 2024                          | 767,781                        | 579,834            | 1,347,615           |
| 2025                          | 798,937                        | 550,653            | 1,349,590           |
| 2026                          | 955,168                        | 515,122            | 1,470,290           |
| 2027                          | 982,813                        | 476,687            | 1,459,500           |
| 2028-2032                     | 5,320,000                      | 1,785,075          | 7,105,075           |
| 2033-2037                     | <u>6,265,000</u>               | <u>646,700</u>     | <u>6,911,700</u>    |
| Totals                        | <u>\$15,836,395</u>            | <u>\$5,159,503</u> | <u>\$20,995,898</u> |

5. 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.

# MILLSAP INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2022

### 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 2022, 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 Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained at [https://www.trs.texas.gov/Pages/about\\_publications.aspx](https://www.trs.texas.gov/Pages/about_publications.aspx); by writing to TRS at 1000 Red River Street, Austin, Texas 78701-2698; or by calling (512) 542-6592.

#### 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, or 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.

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. Actuarial implications of the funding provided in this manner are determined by the System's actuary.

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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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 6.0% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 thru 2025.

|  | <u>Contribution Rates</u> |             |
|--|---------------------------|-------------|
|  | <u>2021</u>               | <u>2022</u> |
| Members (Employees)                      | 7.70%                     | 8.00%       |
| Non-Employer Contributing Entity (State) | 7.50%                     | 7.75%       |
| Employer (District)                      | 7.50%                     | 7.75%       |
| <br>                                     |                           |             |
| Members (Employees)                      | \$574,439                 | \$629,234   |
| Non-Employer Contributing Entity (State) | \$457,430                 | \$488,127   |
| Employer (District)                      | \$213,136                 | \$248,679   |

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:

- 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 is an additional surcharge an employer is subject to:

- All public schools, charter schools, and regional education service centers must contribute 1.6% of the member's salary beginning in fiscal year 2021, gradually increasing to 2% in fiscal year 2025.
- 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.

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**FOR THE YEAR ENDED AUGUST 31, 2022**

5. Actuarial Assumptions

The total pension liability in the August 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

|   |   |
|---|---|
| Valuation Date  | August 31, 2020 rolled forward to August 31, 2021   |
| Actuarial Cost Method                                       | Individual Entry Age Normal   |
| Asset Valuation Method                                      | Fair Value  |
| Single Discount Rate  | 7.25%   |
| Long-term Expected Investment Rate of Return                | 7.25%   |
| Municipal Bond Rate as of August 2021                       | 1.95%, source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index". |
| Last Year Ending August 31 in Projection Period (100 Years) | 2120  |
| Inflation   | 2.30%   |
| Salary Increases Including Inflation                        | 3.05% to 9.05%  |
| Ad hoc post-employment benefit changes                      | None  |

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2020.

6. Discount Rate

A single discount rate of 7.25% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.25%. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50% of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

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

The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2021 are summarized below:

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**NOTES TO THE FINANCIAL STATEMENTS**  
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| <u>Asset Class*</u>                          | <u>Target Allocation % **</u> | <u>Long-term Expected Geometric Real Rate of Return ***</u> | <u>Expected Contribution to Long-term Portfolio Returns</u> |
|--|-------------------------------|---|---|
| <b>Global Equity</b>                         |                               |   |   |
| USA  | 18.0%                         | 3.6%  | 0.94%   |
| Non-U.S. Developed                           | 13.0%                         | 4.4%  | 0.83%   |
| Emerging Markets                             | 9.0%                          | 4.6%  | 0.74%   |
| Private Equity                               | 14.0%                         | 6.3%  | 1.36%   |
| <b>Stable Value</b>                          |                               |   |   |
| Government Bonds                             | 16.0%                         | -0.2%   | 0.01%   |
| Absolute Return                              | 0.0%                          | 1.1%  | 0.00%   |
| Stable Value Hedge Funds                     | 5.0%                          | 2.2%  | 0.12%   |
| <b>Real Return</b>                           |                               |   |   |
| Real Estate                                  | 15.0%                         | 4.5%  | 1.00%   |
| Energy, Natural Resources and Infrastructure | 6.0%                          | 4.7%  | 0.35%   |
| Commodities                                  | 0.0%                          | 1.7%  | 0.00%   |
| <b>Risk Parity</b>                           |                               |   |   |
| Risk Parity                                  | 8.0%                          | 2.8%  | 0.28%   |
| <b>Asset Allocation Leverage</b>             |                               |   |   |
| Cash   | 2.0%                          | -0.7%   | -0.01%  |
| Asset Allocation Leverage                    | -6.0%                         | -0.5%   | 0.03%   |
| Inflation Expectation                        |                               |   | 2.20%   |
| Volatility Drag ****                         |                               |   | <u>-0.95%</u>   |
| <b>Expected Return</b>                       | <u>100.00%</u>                |   | <u>6.90%</u>  |

\* Absolute Return includes Credit Sensitive Investments.

\*\* Target allocations are based on the FY2021 policy model.

\*\*\* Capital Market Assumptions come from Aon Hewitt (as of 8/31/2021).

\*\*\*\*The volatility drag results from the conversion between arithmetic and geometric mean returns.

7. Discount Rate Sensitivity Analysis

The following table presents the Net Pension Liability of the plan using the discount rate of 7.25%, and what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

|   | 1%<br>Decrease<br>6.25% | Current<br>Discount<br>Rate<br>7.25% | 1%<br>Increase<br>8.25% |
|---|-------------------------|--------------------------------------|-------------------------|
| District's proportionate share of the net pension liability | <u>\$2,778,936</u>      | <u>\$1,271,732</u>                   | <u>\$48,932</u>         |

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

At August 31, 2021, the District reported a liability of \$1,271,732 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:

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2022**

|  |                    |
|--|--------------------|
| District's proportionate share of the collective net pension liability | \$1,271,732        |
| State's proportionate share that is associated with the District       | <u>2,728,880</u>   |
| Total  | <u>\$4,000,612</u> |

The net pension liability was measured as of August 31, 2020 and rolled forward to August 31, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2020 through August 31, 2021.

At August 31, 2021, the District's proportion of the collective net pension liability was 0.0049937511%, which was an increase of .0000909236% from its proportion measured as of August 31, 2020.

Changes Since the Prior Actuarial Valuation

There were no changes in assumptions since the prior measurement date.

For the year ended August 31, 2021, the District recognized pension expense of \$10,910 and revenue of \$457,285 for support provided by the State.

At August 31, 2021, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | <u>Deferred<br/>Outflows</u> | <u>Deferred<br/>Inflows</u> |
|--|------------------------------|-----------------------------|
| Difference between expected and actual actuarial experience  | \$ 2,128                     | \$ 89,531                   |
| Changes in actuarial assumptions   | 449,532                      | 195,958                     |
| Difference between projected and actual investment earnings  | -                            | 1,066,330                   |
| Changes in proportion and difference between the District contributions and the proportionate share of contributions | 308,838                      | 69,681                      |
| Contributions paid to TRS subsequent to the measurement date of the net pension liability                            | <u>248,679</u>               | <u>-</u>                    |
| Total  | <u>\$1,009,177</u>           | <u>\$1,421,500</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>Measurement<br/>Year Ended<br/>August 31</u> | <u>Pension<br/>Expense<br/>Amount</u> | <u>Balance of<br/>Deferred Outflows<br/>(Deferred Inflows)</u> |
|---|---------------------------------------|--|
| 2022  | (\$ 97,426)                           | (\$563,574)  |
| 2023  | ( 116,906)                            | ( 446,668)   |
| 2024  | ( 193,176)                            | ( 253,492)   |
| 2025  | ( 266,255)                            | 12,763   |
| 2026  | 13,130                                | ( 367)   |
| Thereafter                                      | ( 367)                                | -  |

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2022**

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 TRS-Care program was established in 1986 by the Texas Legislature.

The TRS Board of Trustees administers the TRS-Care program and the related fund in accordance with Texas Insurance Code Chapter 1575. 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. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

2. OPEB Plan Fiduciary Net Position

Detailed information about the TRS-Care's fiduciary net position is available in the separately-issued Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained at [https://www.trs.texas.gov/Pages/about\\_publications.aspx](https://www.trs.texas.gov/Pages/about_publications.aspx); 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 health insurance coverage to 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 non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. There are no automatic post-employment benefit changes; including automatic COLAs.

The premium rates for retirees are reflected in the following table.

| TRS-Care Monthly Premium Rates           |                 |                     |
|--|-----------------|---------------------|
|  | <u>Medicare</u> | <u>Non-Medicare</u> |
| Retiree or Surviving Spouse              | \$ 135          | \$200               |
| Retiree and Spouse                       | 529             | 689                 |
| Retiree or Surviving Spouse and Children | 468             | 408                 |
| Retiree and Family                       | 1,020           | 999                 |

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.



**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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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 or charter school. 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>2021</u>               | <u>2022</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%       |
| <br>  |                           |             |
| Employer Contributions                        | \$59,176                  | \$64,674    |
| Member Contributions                          | \$48,002                  | \$51,125    |
| NECE On-behalf Contributions                  | \$90,029                  | \$92,635    |

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 \$5,520,343 in fiscal year 2021 for consumer protections against medical and health care billing by certain out-of-network providers.

5. Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2020. Update procedures were used to roll forward the total OPEB liability to August 31, 2021.

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017. The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2020 TRS pension actuarial valuation that was rolled forward to August 31, 2021:

|                      |                     |
|----------------------|---------------------|
| Rates of Mortality   | Rates of Disability |
| Rates of Retirement  | General Inflation   |
| Rates of Termination | Wage Inflation      |

The active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables for males and females. 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 mortality projection scale MP-2018.

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2022**

Additional Actuarial Methods and Assumptions:

|  |   |
|--|---|
| Valuation Date                         | August 31, 2020 rolled forward to August 31, 2021   |
| Actuarial Cost Method                  | Individual Entry Age Normal   |
| Inflation                              | 2.30%   |
| Single Discount Rate                   | 1.95% as of August 31, 2021   |
| Aging Factors                          | Based on plan specific experience   |
| Election Rates                         | Normal Retirement: 65% participation rate prior to age 65 and 40% after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65.           |
| Expenses                               | Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.                              |
| Projected Salary Increases             | 3.05% to 9.05%, including inflation   |
| Healthcare Trend Rates                 | 8.50% for Medicare retirees and 7.10% for non-Medicare retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 12 years. |
| Ad hoc post-employment benefit changes | None  |

6. Discount Rate

A single discount rate of 1.95% was used to measure the total OPEB liability. There was a decrease of .38% 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 used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability.

The source of the municipal bond rate is the Fidelity "20-year Municipal GO AA Index" as of August 31, 2021 using the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

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 (1.95%) in measuring the net OPEB liability.

|  | 1%<br>Decrease<br>0.95% | Current<br>Discount<br>Rate<br>1.95% | 1%<br>Increase<br>2.95% |
|--|-------------------------|--------------------------------------|-------------------------|
| District's proportionate share of the net OPEB liability | <u>\$3,840,711</u>      | <u>\$3,184,061</u>                   | <u>\$2,667,256</u>      |

The following schedule presents the net OPEB liability if a healthcare trend rate that is 1% less than and 1% greater than the assumed healthcare cost trend rate is used:

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2022**

|  | 1%<br>Decrease<br><u>6.3% - 8.00%</u> | Healthcare<br>Cost Trend<br>Rate<br><u>7.3% - 9.00%</u> | 1%<br>Increase<br><u>8.3% - 10.00%</u> |
|--|---------------------------------------|---|--|
| District's proportionate share of the net OPEB liability | <u>\$2,578,984</u>                    | <u>\$3,184,061</u>                                      | <u>\$3,995,924</u>                     |

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

At August 31, 2021, the District reported a liability of \$3,184,061 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 | \$3,184,061        |
| State's proportionate share that is associated with the District    | <u>4,265,932</u>   |
| Total   | <u>\$7,449,993</u> |

The net OPEB liability was measured as of August 31, 2020 and rolled forward to August 31, 2021 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 OPEB relative to the contributions of all employers to the plan for the period September 1, 2020 through August 31, 2021.

At August 31, 2021, the District's proportion of the collective net OPEB liability was 0.0082543218%, compared to 0.0079957123% as of August 31, 2020.

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:

- The discount rate changed from 2.33% as of August 31, 2020 to 1.95% as of August 31, 2021. This change increased the total OPEB liability.

Changes of Benefit Terms Since the Prior Measurement Date

There were no changes in benefit terms since the prior measurement date.

The amount of OPEB expense recognized by the District in the reporting period was \$34,329.

At August 31, 2021 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:

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2022**

|  | <u>Deferred<br/>Outflows</u> | <u>Deferred<br/>Inflows</u> |
|--|------------------------------|-----------------------------|
| Differences between expected and actual economic experience  | \$ 137,089                   | \$1,541,307                 |
| Changes in actuarial assumptions   | 352,672                      | 673,370                     |
| Difference between projected and actual investment earnings  | 3,457                        | -                           |
| Changes in proportion and difference between District contributions and proportionate share of contributions | 949,356                      | -                           |
| Contributions paid to TRS subsequent to the measurement date   | <u>64,674</u>                | <u>-</u>                    |
| Total  | <u>\$1,507,248</u>           | <u>\$2,214,677</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:

| <u>Year Ended<br/>August 31</u> | <u>OPEB Expense<br/>Amount</u> | <u>Balance of<br/>Deferred Outflows<br/>(Deferred Inflows)</u> |
|---------------------------------|--------------------------------|--|
| 2023                            | (\$194,836)                    | (\$577,268)  |
| 2024                            | ( 194,913)                     | ( 382,355)   |
| 2025                            | ( 194,894)                     | ( 187,461)   |
| 2026                            | ( 111,080)                     | ( 76,381)  |
| 2027                            | 2,389                          | ( 78,770)  |
| Thereafter                      | ( 78,770)                      | -  |

For the year ended August 31, 2021, the District recognized OPEB expense of (\$157,445) and revenue of \$86,396 for support provided by the State.

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 \$24,173, \$32,961, and \$30,251 for the years ended August 31, 2022, 2021, and 2020, 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, 2022*

#### 2. Litigation

No reportable litigation was pending against the District as of August 31, 2022.

#### 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 \$183,012.

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, 2022**

| Data Control Codes |  | Budgeted Amounts  |                   | Actual            | Variance With Final Budget - Positive (Negative) |
|--------------------|--|-------------------|-------------------|-------------------|--|
|                    |  | Original          | Final             |                   |  |
|                    | Revenues:  |                   |                   |                   |  |
| 5700               | Local and intermediate sources                       | \$ 4,980,156      | \$ 5,290,156      | \$ 5,351,258      | \$ 61,102  |
| 5800               | State program revenues                               | 7,484,429         | 7,640,503         | 8,143,483         | 502,980  |
| 5900               | Federal program revenues                             | 214,250           | 214,250           | 227,711           | 13,461   |
| 5020               | Total revenues                                       | <u>12,678,835</u> | <u>13,144,909</u> | <u>13,722,452</u> | <u>577,543</u>                                   |
|                    | Expenditures:  |                   |                   |                   |  |
|                    | Instruction & instructional related services:        |                   |                   |                   |  |
| 0011               | Instruction  | 7,172,409         | 7,350,819         | 7,165,829         | 184,990  |
| 0012               | Instructional resources and media services           | 47,804            | 49,304            | 40,961            | 8,343  |
| 0013               | Curriculum and staff development                     | 116,103           | 113,693           | 50,952            | 62,741   |
|                    | Total instruction and instructional related services | <u>7,336,316</u>  | <u>7,513,816</u>  | <u>7,257,742</u>  | <u>256,074</u>                                   |
|                    | Instructional and school leadership:                 |                   |                   |                   |  |
| 0023               | School leadership                                    | 808,818           | 808,818           | 764,231           | 44,587   |
|                    | Total instructional and school leadership            | <u>808,818</u>    | <u>808,818</u>    | <u>764,231</u>    | <u>44,587</u>                                    |
|                    | Support services - student (pupil):                  |                   |                   |                   |  |
| 0031               | Guidance, counseling and evaluation services         | 290,678           | 290,678           | 257,942           | 32,736   |
| 0033               | Health services                                      | 183,179           | 183,179           | 161,996           | 21,183   |
| 0034               | Student transportation                               | 483,182           | 483,182           | 463,532           | 19,650   |
| 0035               | Food services  | 24,036            | 24,036            | 1,296             | 22,740   |
| 0036               | Cocurricular/extracurricular activities              | 579,979           | 582,979           | 537,055           | 45,924   |
|                    | Total support services - student (pupil)             | <u>1,561,054</u>  | <u>1,564,054</u>  | <u>1,421,821</u>  | <u>142,233</u>                                   |
|                    | Administrative support services:                     |                   |                   |                   |  |
| 0041               | General administration                               | 804,173           | 804,173           | 771,245           | 32,928   |
|                    | Total administrative support services                | <u>804,173</u>    | <u>804,173</u>    | <u>771,245</u>    | <u>32,928</u>                                    |
|                    | Support services - nonstudent based:                 |                   |                   |                   |  |
| 0051               | Facilities maintenance and operations                | 1,577,459         | 1,808,033         | 1,476,944         | 331,089  |
| 0052               | Security and monitoring services                     | 89,890            | 99,890            | 78,137            | 21,753   |
| 0053               | Data processing services                             | 116,913           | 116,913           | 88,430            | 28,483   |
|                    | Total support services - nonstudent based            | <u>1,784,262</u>  | <u>2,024,836</u>  | <u>1,643,511</u>  | <u>381,325</u>                                   |
|                    | Debt service:  |                   |                   |                   |  |
| 0071               | Principal on long-term debt                          | -                 | -                 | 2,675             | (2,675)  |
| 0072               | Interest on long-term debt                           | -                 | -                 | 990               | (990)  |
|                    | Total debt service                                   | <u>-</u>          | <u>-</u>          | <u>3,665</u>      | <u>(3,665)</u>                                   |
|                    | Capital outlay:                                      |                   |                   |                   |  |
| 0081               | Capital outlay                                       | 20                | 20                | -                 | 20   |
|                    | Total capital outlay                                 | <u>20</u>         | <u>20</u>         | <u>-</u>          | <u>20</u>  |
|                    | Intergovernmental charges:                           |                   |                   |                   |  |
| 0093               | Payments to SSAs                                     | 183,017           | 183,017           | 183,012           | 5  |
| 0099               | Other intergovernmental charges                      | 121,175           | 121,175           | 109,166           | 12,009   |
|                    | Total intergovernmental charges                      | <u>304,192</u>    | <u>304,192</u>    | <u>292,178</u>    | <u>12,014</u>                                    |
| 6030               | Total expenditures                                   | <u>12,598,835</u> | <u>13,019,909</u> | <u>12,154,393</u> | <u>865,516</u>                                   |

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**FOR THE YEAR ENDED AUGUST 31, 2022**

| Data<br>Control<br>Codes |  | Budgeted Amounts |              | Actual       | Variance With<br>Final Budget -<br>Positive<br>(Negative) |
|--------------------------|--|------------------|--------------|--------------|---|
|                          |  | Original         | Final        |              |   |
| 1100                     | Excess of revenues over (under) expenditures | 80,000           | 125,000      | 1,568,059    | 1,443,059   |
|                          | Other financing sources (uses):              |                  |              |              |   |
| 7913                     | Proceeds from right-to-use lease             | -                | 94,070       | 94,070       | -   |
| 8911                     | Transfers out                                | (80,000)         | -            | -            | -   |
| 7080                     | Total other financing sources (uses)         | (80,000)         | 94,070       | 94,070       | -   |
| 1200                     | Net change in fund balance                   | -                | 219,070      | 1,662,129    | 1,443,059   |
| 0100                     | Fund balance - beginning                     | 6,922,286        | 6,922,286    | 6,922,286    | -   |
| 3000                     | Fund balance - ending                        | \$ 6,922,286     | \$ 7,141,356 | \$ 8,584,415 | \$ 1,443,059  |



**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, 2022**

|  | <u>2022</u>          | <u>2021</u>          |
|--|----------------------|----------------------|
| District's proportion of the net pension liability   | <u>0.0049937511%</u> | <u>0.0049028275%</u> |
| District's proportionate share of the net pension liability  | \$ 1,271,732         | \$ 2,625,854         |
| State's proportionate share of the net pension liability associated with the District              | <u>2,728,880</u>     | <u>5,553,342</u>     |
| Total  | <u>\$ 4,000,612</u>  | <u>\$ 8,179,196</u>  |
| District's covered payroll   | <u>\$ 7,460,251</u>  | <u>\$ 7,138,534</u>  |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | <u>17.05%</u>        | <u>36.78%</u>        |
| Plan fiduciary net position as a percentage of the total pension liability                         | <u>88.79%</u>        | <u>75.54%</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' Annual Comprehensive Financial Report for the preceding year.

| <u>2020</u>          | <u>2019</u>          | <u>2018</u>          | <u>2017</u>          | <u>2016</u>          | <u>2015</u>          |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <u>0.0041775419%</u> | <u>0.0043156699%</u> | <u>0.0040468156%</u> | <u>0.0045083000%</u> | <u>0.0045524000%</u> | <u>0.0022094000%</u> |
| \$ 2,171,617         | \$ 2,375,449         | \$ 1,293,954         | \$ 1,703,630         | \$ 1,503,167         | \$ 590,161           |
| <u>5,062,370</u>     | <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>     |
| <u>\$ 7,233,987</u>  | <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>  |
| <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>  | <u>\$ 4,615,030</u>  |
| <u>35.49%</u>        | <u>40.30%</u>        | <u>23.08%</u>        | <u>30.91%</u>        | <u>30.13%</u>        | <u>12.79%</u>        |
| <u>75.24%</u>        | <u>73.74%</u>        | <u>82.17%</u>        | <u>78.00%</u>        | <u>78.43%</u>        | <u>83.25%</u>        |

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF DISTRICT'S PENSION CONTRIBUTIONS**  
**TEACHER RETIREMENT SYSTEM OF TEXAS**  
**YEAR ENDED AUGUST 31, 2022**

|  | <u>2022</u>         | <u>2021</u>         |
|--|---------------------|---------------------|
| Contractually required contribution                                  | \$ 248,679          | \$ 213,136          |
| Contributions in relation to the contractually required contribution | <u>(248,679)</u>    | <u>(213,136)</u>    |
| Contribution deficiency  | <u>\$ -</u>         | <u>\$ -</u>         |
| District's covered payroll   | <u>\$ 7,865,426</u> | <u>\$ 7,460,251</u> |
| Contributions as a percentage of covered payroll                     | <u>3.16%</u>        | <u>2.86%</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 contribution is for the District's indicated fiscal year.

| <u>2020</u>         | <u>2019</u>         | <u>2018</u>         | <u>2017</u>         | <u>2016</u>         | <u>2015</u>         |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ 202,292          | \$ 146,219          | \$ 145,384          | \$ 57,663           | \$ 143,241          | \$ 125,915          |
| <u>(202,292)</u>    | <u>(146,219)</u>    | <u>(145,384)</u>    | <u>(57,663)</u>     | <u>(143,241)</u>    | <u>(125,915)</u>    |
| <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         |
| <u>\$ 7,138,534</u> | <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> |
| <u>2.83%</u>        | <u>2.39%</u>        | <u>2.47%</u>        | <u>1.03%</u>        | <u>2.60%</u>        | <u>2.52%</u>        |

**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, 2022**

|  | <u>2022</u>         | <u>2021</u>         |
|--|---------------------|---------------------|
| District's proportion of the net OPEB liability  | <u>0.008254322%</u> | <u>0.007995712%</u> |
| District's proportionate share of the net OPEB liability   | \$ 3,184,061        | \$ 3,039,531        |
| State's proportionate share of the net OPEB liability<br>associated with the District              | <u>4,265,932</u>    | <u>4,084,401</u>    |
| Total  | <u>\$ 7,449,993</u> | <u>\$ 7,123,932</u> |
| District's covered payroll   | <u>\$ 7,460,251</u> | <u>\$ 7,138,534</u> |
| District's proportionate share of the net OPEB liability as a<br>percentage of its covered payroll | <u>42.68%</u>       | <u>42.58%</u>       |
| Plan fiduciary net position as a percentage of the total OPEB liability                            | <u>6.18%</u>        | <u>4.99%</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' Annual Comprehensive Financial Report for the preceding year.

| <u>2020</u>         | <u>2019</u>         | <u>2018</u>         |
|---------------------|---------------------|---------------------|
| <u>0.006748828%</u> | <u>0.006649493%</u> | <u>0.006197332%</u> |
| \$ 3,191,605        | \$ 3,320,153        | \$ 2,694,987        |
| <u>4,240,927</u>    | <u>5,222,269</u>    | <u>4,549,552</u>    |
| <u>\$ 7,432,532</u> | <u>\$ 8,542,422</u> | <u>\$ 7,244,539</u> |
| <u>\$ 6,119,264</u> | <u>\$ 5,894,096</u> | <u>\$ 5,607,135</u> |
| <u>52.16%</u>       | <u>56.33%</u>       | <u>48.06%</u>       |
| <u>2.66%</u>        | <u>1.57%</u>        | <u>0.91%</u>        |

**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, 2022**

|  | <u>2022</u>         | <u>2021</u>         |
|--|---------------------|---------------------|
| Contractually required contribution                                  | \$ 64,674           | \$ 59,176           |
| Contributions in relation to the contractually required contribution | <u>(64,674)</u>     | <u>(59,176)</u>     |
| Contribution deficiency  | <u>\$ -</u>         | <u>\$ -</u>         |
| District's covered payroll   | <u>\$ 7,865,426</u> | <u>\$ 7,460,251</u> |
| Contributions as a percentage of covered payroll                     | <u>0.82%</u>        | <u>0.79%</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.

| <u>2020</u>         | <u>2019</u>         | <u>2018</u>         |
|---------------------|---------------------|---------------------|
| \$ 56,009           | \$ 47,898           | \$ 45,871           |
| <u>(56,009)</u>     | <u>(47,898)</u>     | <u>(45,871)</u>     |
| <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         |
| <u>\$ 7,138,534</u> | <u>\$ 6,119,264</u> | <u>\$ 5,894,096</u> |
| <u>0.78%</u>        | <u>0.78%</u>        | <u>0.78%</u>        |



**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO REQUIRED SUPPLEMENTARY INFORMATION*  
*FOR THE YEAR ENDED AUGUST 31, 2022*

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, 2021. 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. At the end of the year, the District did over-expend the budget by minor amounts in the General Fund and National School Breakfast/Lunch Program. 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, 2022*

2. Changes of Assumptions

There were no changes in assumptions since the prior measurement date.

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

- The discount rate changed from 2.33% as of August 31, 2020 to 1.95% as of August 31, 2021. This change increased the total OPEB liability.

***NONMAJOR GOVERNMENTAL FUNDS COMBINING STATEMENTS***

**MILLSAP INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2022**

| Data<br>Control<br>Codes |  | 211<br>ESEA Title I<br>Improving<br>Basic Programs | 240<br>National School<br>Breakfast/Lunch<br>Program |
|--------------------------|--|--|--|
|                          | <b>Assets</b>                            |  |  |
| 1110                     | Cash and cash equivalents                | \$ (32,959)  | \$ 179,676   |
| 1240                     | Due from other governments               | 35,602   | 30,076   |
| 1410                     | Deferred expenditures                    | (264)  | 2,132  |
| 1000                     | Total assets                             | <u>\$ 2,379</u>                                    | <u>\$ 211,884</u>                                    |
|                          | <b>Liabilities</b>                       |  |  |
| 2110                     | Accounts payable                         | \$ -   | \$ 6,708   |
| 2160                     | Accrued wages payable                    | 2,135  | 20,029   |
| 2180                     | Due to other governments                 | -  | 34,076   |
| 2200                     | Accrued expenditures                     | 244  | 12,211   |
| 2300                     | Unearned revenue                         | -  | -  |
| 2000                     | Total liabilities                        | <u>2,379</u>                                       | <u>73,024</u>  |
|                          | <b>Fund balances</b>                     |  |  |
|                          | Restricted fund balance:                 |  |  |
| 3450                     | Federal or state funds grant restriction | -  | 138,860  |
|                          | Assigned fund balance:                   |  |  |
| 3590                     | Campus activity funds                    | -  | -  |
| 3000                     | Total fund balances                      | <u>-</u>   | <u>138,860</u>                                       |
| 4000                     | Total liabilities and fund balances      | <u>\$ 2,379</u>                                    | <u>\$ 211,884</u>                                    |

| 255<br>ESEA II, A<br>Training and<br>Recruiting | 281<br>ESSER II  | 282<br>ESSER III | 410<br>State<br>Textbook<br>Fund | 461<br>Campus<br>Activity<br>Funds | Total<br>Nonmajor<br>Governmental<br>Funds (See<br>Exhibit C-1) |
|---|------------------|------------------|----------------------------------|------------------------------------|---|
| \$ (3,660)                                      | \$ 40,705        | \$ (100,184)     | \$ 191                           | \$ 144,895                         | \$ 228,664  |
| 3,669   | 19,951           | 101,173          | -                                | -                                  | 190,471   |
| (9)   | (870)            | (989)            | -                                | -                                  | -   |
| <u>\$ -</u>                                     | <u>\$ 59,786</u> | <u>\$ -</u>      | <u>\$ 191</u>                    | <u>\$ 144,895</u>                  | <u>\$ 419,135</u>   |
| \$ -  | \$ -             | \$ -             | \$ -                             | \$ 13,703                          | \$ 20,411   |
| -   | 5,183            | -                | -                                | -                                  | 27,347  |
| -   | 54,010           | -                | -                                | -                                  | 88,086  |
| -   | 593              | -                | -                                | -                                  | 13,048  |
| -   | -                | -                | 191                              | -                                  | 191   |
| <u>-</u>  | <u>59,786</u>    | <u>-</u>         | <u>191</u>                       | <u>13,703</u>                      | <u>149,083</u>  |
| -   | -                | -                | -                                | -                                  | 138,860   |
| -   | -                | -                | -                                | 131,192                            | 131,192   |
| <u>-</u>  | <u>-</u>         | <u>-</u>         | <u>-</u>                         | <u>131,192</u>                     | <u>270,052</u>  |
| <u>\$ -</u>                                     | <u>\$ 59,786</u> | <u>\$ -</u>      | <u>\$ 191</u>                    | <u>\$ 144,895</u>                  | <u>\$ 419,135</u>   |

**MILLSAP INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2022**

| Data<br>Control<br>Codes |  | 211<br>ESEA Title I<br>Improving<br>Basic Programs | 240<br>National School<br>Breakfast/Lunch<br>Program |
|--------------------------|--|--|--|
| <b>Revenues</b>          |  |  |  |
| 5700                     | Local and intermediate sources               | \$ -   | \$ 145,969   |
| 5800                     | State program revenues                       | -  | 22,665   |
| 5900                     | Federal program revenues                     | 116,883  | 796,754  |
| 5020                     | Total revenues                               | <u>116,883</u>                                     | <u>965,388</u>                                       |
| <b>Expenditures</b>      |  |  |  |
| 0011                     | Instruction                                  | 93,583   | -  |
| 0013                     | Curriculum and staff development             | 23,300   | -  |
| 0031                     | Guidance, counseling and evaluation services | -  | -  |
| 0034                     | Student transportation                       | -  | -  |
| 0035                     | Food services                                | -  | 762,578  |
| 0036                     | Cocurricular/extracurricular activities      | -  | -  |
| 0051                     | Facilities maintenance and operations        | -  | 68,886   |
| 6030                     | Total expenditures                           | <u>116,883</u>                                     | <u>831,464</u>                                       |
| 1100                     | Excess of revenues over (under) expenditures | <u>-</u>   | <u>133,924</u>                                       |
| 1200                     | Net change in fund balance                   | -  | 133,924  |
| 0100                     | Fund balances - beginning                    | <u>-</u>   | <u>4,936</u>   |
| 3000                     | Fund balances - ending                       | <u>\$ -</u>  | <u>\$ 138,860</u>                                    |

| 255<br>ESEA II, A<br>Training and<br>Recruiting | 281<br>ESSER II | 282<br>ESSER III | 410<br>State<br>Textbook<br>Fund | 461<br>Campus<br>Activity<br>Funds | Total<br>Nonmajor<br>Governmental<br>Funds (See<br>Exhibit C-2) |
|---|-----------------|------------------|----------------------------------|------------------------------------|---|
| \$ -  | \$ -            | \$ -             | \$ -                             | \$ 189,683                         | \$ 335,652  |
| -   | -               | -                | 23,575                           | -                                  | 46,240  |
| 11,261  | 205,620         | 101,173          | -                                | -                                  | 1,231,691   |
| <u>11,261</u>                                   | <u>205,620</u>  | <u>101,173</u>   | <u>23,575</u>                    | <u>189,683</u>                     | <u>1,613,583</u>  |
| -   | 136,045         | 66,848           | 23,575                           | -                                  | 320,051   |
| 11,261  | -               | 3,727            | -                                | -                                  | 38,288  |
| -   | 69,575          | 10,200           | -                                | -                                  | 79,775  |
| -   | -               | 5,040            | -                                | -                                  | 5,040   |
| -   | -               | 15,358           | -                                | -                                  | 777,936   |
| -   | -               | -                | -                                | 199,120                            | 199,120   |
| -   | -               | -                | -                                | -                                  | 68,886  |
| <u>11,261</u>                                   | <u>205,620</u>  | <u>101,173</u>   | <u>23,575</u>                    | <u>199,120</u>                     | <u>1,489,096</u>  |
| -   | -               | -                | -                                | (9,437)                            | 124,487   |
| -   | -               | -                | -                                | (9,437)                            | 124,487   |
| -   | -               | -                | -                                | 140,629                            | 145,565   |
| <u>\$ -</u>                                     | <u>\$ -</u>     | <u>\$ -</u>      | <u>\$ -</u>                      | <u>\$ 131,192</u>                  | <u>\$ 270,052</u>   |

***OTHER SUPPLEMENTARY INFORMATION SECTION***



**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF DELINQUENT TAXES RECEIVABLE**  
**FOR THE YEAR ENDED AUGUST 31, 2022**

| Fiscal Year<br>Ending<br>August 31, | 1           |            | 2            | 3  |
|-------------------------------------|-------------|------------|--------------|--|
|                                     | Tax Rates   |            | Debt Service | Assessed/Appraised<br>Value for School<br>Tax Purposes |
|                                     | Maintenance |            |              |  |
| 2013 and Prior Years                | \$ Various  | \$ Various |              | \$ Various   |
| 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      | 0.4950     |              | 336,711,202  |
| 2019                                | 1.1700      | 0.4422     |              | 393,152,766  |
| 2020                                | 1.0684      | 0.4022     |              | 458,019,721  |
| 2021                                | 1.0547      | 0.3346     |              | 428,325,592  |
| 2022 (School year under audit)      | 0.9603      | 0.3146     |              | 533,062,044  |
| 1000 Totals                         |             |            |              |  |

| 10<br>Beginning<br>Balance<br>9/1/2021 | 20<br>Current<br>Year's<br>Total Levy | 31<br>Maintenance<br>Collections | 32<br>Debt Service<br>Collections | 40<br>Entire<br>Year's<br>Adjustments | 50<br>Ending<br>Balance<br>8/31/2022 |
|--|---------------------------------------|----------------------------------|-----------------------------------|---------------------------------------|--------------------------------------|
| \$ 54,524                              | \$ -                                  | \$ 58                            | \$ 11                             | \$ (1)                                | \$ 54,454                            |
| 6,349                                  | -                                     | 7                                | 3                                 | -                                     | 6,339                                |
| 8,634                                  | -                                     | -                                | -                                 | -                                     | 8,634                                |
| 7,460                                  | -                                     | -                                | -                                 | -                                     | 7,460                                |
| 7,500                                  | -                                     | 288                              | 122                               | -                                     | 7,090                                |
| 10,517                                 | -                                     | 1,095                            | 414                               | -                                     | 9,008                                |
| 16,349                                 | -                                     | 13,312                           | 4,804                             | 12,973                                | 11,206                               |
| 26,931                                 | -                                     | 28,843                           | 10,858                            | 31,497                                | 18,727                               |
| 67,603                                 | -                                     | 50,778                           | 16,109                            | 20,823                                | 21,539                               |
| -                                      | 6,796,008                             | 5,072,285                        | 1,661,711                         | 1,414                                 | 63,426                               |
| <u>\$ 205,867</u>                      | <u>\$ 6,796,008</u>                   | <u>\$ 5,166,666</u>              | <u>\$ 1,694,032</u>               | <u>\$ 66,706</u>                      | <u>\$ 207,883</u>                    |

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**NATIONAL SCHOOL LUNCH AND BREAKFAST PROGRAM**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED AUGUST 31, 2022**

| Data<br>Control<br>Codes |  | Budgeted Amounts |                  | Actual            | Variance With<br>Final Budget -<br>Positive<br>(Negative) |
|--------------------------|--|------------------|------------------|-------------------|---|
|                          |  | Original         | Final            |                   |   |
|                          | Revenues:                                    |                  |                  |                   |   |
| 5700                     | Local and intermediate sources               | \$ 293,747       | \$ 118,757       | \$ 145,969        | \$ 27,212   |
| 5800                     | State program revenues                       | 2,100            | 22,100           | 22,665            | 565   |
| 5900                     | Federal program revenues                     | 333,166          | 747,164          | 796,754           | 49,590  |
| 5020                     | Total revenues                               | <u>629,013</u>   | <u>888,021</u>   | <u>965,388</u>    | <u>77,367</u>   |
|                          | Expenditures:                                |                  |                  |                   |   |
|                          | Current:                                     |                  |                  |                   |   |
|                          | Support services - student (pupil):          |                  |                  |                   |   |
| 0035                     | Food services                                | 648,013          | 750,021          | 762,578           | (12,557)  |
|                          | Total support services - student (pupil)     | <u>648,013</u>   | <u>750,021</u>   | <u>762,578</u>    | <u>(12,557)</u>   |
|                          | Support services - nonstudent based:         |                  |                  |                   |   |
| 0051                     | Facilities maintenance and operations        | 61,000           | 80,000           | 68,886            | 11,114  |
|                          | Total support services - nonstudent based    | <u>61,000</u>    | <u>80,000</u>    | <u>68,886</u>     | <u>11,114</u>   |
| 6030                     | Total expenditures                           | <u>709,013</u>   | <u>830,021</u>   | <u>831,464</u>    | <u>(1,443)</u>  |
| 1100                     | Excess of revenues over (under) expenditures | <u>(80,000)</u>  | <u>58,000</u>    | <u>133,924</u>    | <u>75,924</u>   |
|                          | Other financing sources:                     |                  |                  |                   |   |
| 7915                     | Transfers in                                 | 80,000           | -                | -                 | -   |
| 7080                     | Total other financing sources                | <u>80,000</u>    | <u>-</u>         | <u>-</u>          | <u>-</u>  |
| 1200                     | Net change in fund balance                   | -                | 58,000           | 133,924           | 75,924  |
| 0100                     | Fund balance - beginning                     | 4,936            | 4,936            | 4,936             | -   |
| 3000                     | Fund balance - ending                        | <u>\$ 4,936</u>  | <u>\$ 62,936</u> | <u>\$ 138,860</u> | <u>\$ 75,924</u>  |

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**DEBT SERVICE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED AUGUST 31, 2022**

| Data<br>Control<br>Codes |  | Budgeted Amounts    |                     | Actual              | Variance With<br>Final Budget -<br>Positive<br>(Negative) |
|--------------------------|--|---------------------|---------------------|---------------------|---|
|                          |  | Original            | Final               |                     |   |
|                          | Revenues:                                    |                     |                     |                     |   |
| 5700                     | Local and intermediate sources               | \$ 1,624,525        | \$ 1,624,525        | \$ 1,718,827        | \$ 94,302   |
| 5800                     | State program revenues                       | -                   | 34,000              | 33,633              | (367)   |
| 5020                     | Total revenues                               | <u>1,624,525</u>    | <u>1,658,525</u>    | <u>1,752,460</u>    | <u>93,935</u>   |
|                          | Expenditures:                                |                     |                     |                     |   |
|                          | Debt service:                                |                     |                     |                     |   |
| 0071                     | Principal on long-term debt                  | 1,031,836           | 756,836             | 631,834             | 125,002   |
| 0072                     | Interest on long-term debt                   | 715,729             | 715,729             | 710,228             | 5,501   |
| 0073                     | Bond issuance costs and fees                 | 40,000              | 315,000             | 294,514             | 20,486  |
|                          | Total debt service                           | <u>1,787,565</u>    | <u>1,787,565</u>    | <u>1,636,576</u>    | <u>150,989</u>  |
| 6030                     | Total expenditures                           | <u>1,787,565</u>    | <u>1,787,565</u>    | <u>1,636,576</u>    | <u>150,989</u>  |
| 1100                     | Excess of revenues over (under) expenditures | <u>(163,040)</u>    | <u>(129,040)</u>    | <u>115,884</u>      | <u>244,924</u>  |
| 1200                     | Net change in fund balance                   | (163,040)           | (129,040)           | 115,884             | 244,924   |
| 0100                     | Fund balance - beginning                     | <u>1,341,292</u>    | <u>1,341,292</u>    | <u>1,341,292</u>    | -   |
| 3000                     | Fund balance - ending                        | <u>\$ 1,178,252</u> | <u>\$ 1,212,252</u> | <u>\$ 1,457,176</u> | <u>\$ 244,924</u>   |

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF REQUIRED RESPONSES RELATIVE TO COMPENSATORY**  
**AND BILINGUAL EDUCATION PROGRAMS**  
**FOR THE YEAR ENDED AUGUST 31, 2022**

| <u>Data<br/>Codes</u>                             |   | <u>Column 1<br/>Responses</u> |
|---|---|-------------------------------|
| <b>Section A: Compensatory Education Programs</b> |   |                               |
| AP1   | Did your LEA expend any state compensatory education program state allotment funds during the District's fiscal year?                             | Yes                           |
| AP2   | Does the LEA have written policies and procedures for its state compensatory education program?   | Yes                           |
| AP3   | List the state allotment funds received for state compensatory education programs during the District's fiscal year.                              | \$ 724,262                    |
| AP4   | List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28, 29, 30, 34) | \$ 632,552                    |
| <b>Section B: Bilingual Education Programs</b>    |   |                               |
| AP5   | Did your LEA expend any bilingual education program state allotment funds during the District's fiscal year?                                      | Yes                           |
| AP6   | Does the LEA have written policies and procedures for its bilingual education program?  | Yes                           |
| AP7   | List the state allotment funds received for bilingual education programs during the District's fiscal year.                                       | \$ 18,428                     |
| AP8   | List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25, 35)                          | \$ 7,143                      |



## EDGIN, PARKMAN, FLEMING & FLEMING, PC

CERTIFIED PUBLIC ACCOUNTANTS

1401 HOLLIDAY ST., SUITE 216 • 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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 8, 2022.

### **Report on 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.

## **Report on 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as finding 2022-001.

## **District's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **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,



Edgin, Parkman, Fleming & Fleming, PC

December 8, 2022



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

CERTIFIED PUBLIC ACCOUNTANTS

1401 HOLLIDAY ST., SUITE 216 • P.O. Box 750  
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MICHAEL D. EDGIN, CPA  
DAVID L. PARKMAN, CPA  
A. PAUL FLEMING, CPA

### Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

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

Members of the Board of Trustees:

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

##### **Opinion on Each Major Federal Program**

We have audited Millsap Independent School District's (District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal programs for the year ended August 31, 2022. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended August 31, 2022.

##### **Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

##### **Responsibilities of Management for Compliance**

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



## **Auditor's Responsibilities for the Audit of Compliance**

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

## **Report on Internal Control Over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-002 and 2022-003 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Respectfully submitted,

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

Edgin, Parkman, Fleming & Fleming, PC

December 8, 2022

# MILLSAP INDEPENDENT SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs For the Year Ended August 31, 2022

### 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?   X   Yes        No

#### 2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified?   X   Yes        No

One or more significant deficiencies identified that are not considered to be material weaknesses?        Yes   X   None reported

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

Any audit findings disclosed that are required to be reported under CFR Section 200.516(a)   X   Yes        No

#### Identification of major programs:

|                                   |         |
|-----------------------------------|---------|
| Child Nutrition Cluster:          |         |
| National School Breakfast Program | 10.553  |
| National School Lunch Program     | 10.555  |
| Education Stabilization Fund:     |         |
| ESSER II                          | 84.425D |
| ESSER III                         | 84.425U |

Dollar threshold used to distinguish between Type A and Type B federal programs: \$750,000

Auditee qualified as low-risk auditee?        Yes   X   No

# MILLSAP INDEPENDENT SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs (Cont'd.) For the Year Ended August 31, 2022

### B. Financial Statement Findings

#### **Finding 2022-001 – Noncompliance – Unexpended Mandated Program Allotment**

##### Criteria or Specified Requirement

Texas Public School Districts are required to expend 55% of the Career and Technology Education Block Grant Allotment (CATE) received from the Texas Education Agency (TEA) based on a three year rolling average.

##### Condition

The District's CATE allotment from TEA was \$1,497,408 for the 2021-2022 school year. The District is required to expend 55% of this allotment each year. Thus, the required CATE expenditures should total at least \$823,574. The District expended \$687,807 that was directly coded to the CATE PIC code during the 2021-2022 fiscal year, exclusive of any on-behalf expenditures. Thus, the District was \$135,767 short of the required expenditure level prior to allocation by TEA of expenditures with an 'undistributed' program intent code.

##### Cause

The District's budget for the CATE allotment was based on the prior year expenditure level and the allotment noted on a preliminary summary of finances which reflected the allotment as approximately \$400,000 less than the near final summary of finances.

##### Effect

The District could be required to pay back unexpended funds if the allocation of 'undistributed' PIC code and the rolling average is not sufficient to cover the deficit.

##### Recommendation

We recommend that the District review its allotments throughout the year looking for material changes and provide sufficient budget to cover the required expenditure level.

##### Views of Responsible Officials and Planned Corrective Actions

Refer to the Corrective Action Plan prepared by District's management.

### C. Federal/State Award Findings and Questioned Costs

#### **Finding 2022-002 – Child Nutrition Cluster – Material Weakness in Internal Control over Financial Reporting – Duplicate Claim Reimbursement Request**

##### Criteria

The District's internal control over financial reporting should ensure accurate claim reporting of the National School Breakfast/Lunch Program (NSBLP) meals on a monthly basis.

##### Condition

The District's inadvertently requested meal reimbursements for May 2022 under both the Seamless Summer Option (SSO) and NSBLP thus duplicating the request.

##### Cause

The District had staff turnover within the NSBLP and business office that affected the reporting process.

# MILLSAP INDEPENDENT SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs (Cont'd.) For the Year Ended August 31, 2022

### Effect

Reimbursement revenue of \$34,076 was received and recorded as revenue in the fiscal year ended August 31, 2022, thus overstating revenue in the NSBLP. An audit adjustment of this amount was proposed to reflect a payable back to TEA. TEA deducted the duplicate claim from the District's September 2022 reimbursement claim.

### Recommendation

Once fully staffed, we recommend that the Chief Financial Officer (CFO) review all claim reimbursements and verify actual meal counts prior to claim submission by the cafeteria staff.

### Views of Responsible Officials and Planned Corrective Actions

Refer to the Corrective Action Plan prepared by District's management.

### **Finding 2022-003 – Education Stabilization Fund – Material Weakness in Internal Control over Cash Management – Excess Claim Reimbursement Requests**

### Criteria

The District's internal control over financial reporting should ensure that reimbursement requests are supported by cumulative general ledger reports.

### Condition

The District's reporting process duplicated certain costs and over-reported expenditures by \$54,010 on the final claim request made for the year ended August 31, 2022.

### Cause

The District had staff turnover within the business office that affected the reporting process. A cumulative general ledger report was not utilized to match up to the claim reimbursement request.

### Effect

The reimbursement grant reported an excess of revenues over expenditures of \$34,059 after deduction of an additional \$19,951 of expenditures incurred subsequent to the last expenditure reimbursement request for the year. A net audit adjustment of \$34,059 was proposed to balance revenues with expenditures for the fiscal year ended August 31, 2022.

### Recommendation

We recommend that the CFO review all grant reimbursements and compare to cumulative general ledger reports. Furthermore, as part of the year end close out process, the CFO should ensure that any accruals, or deferrals, of revenue necessary to balance revenues with expenditures are posted.

### Views of Responsible Officials and Planned Corrective Actions

Refer to the Corrective Action Plan prepared by District's management.



**CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED AUGUST 31, 2022**

**Finding 2022-001-Noncompliance-Unexpended Mandated Program Allotment**

Millsap ISD is committed to ensure yearly CATE amounts are spent on students' educational programs and program enhancements during the school year the funds are allotted. To ensure this occurs in the future the following steps will be taken.

- The Superintendent, Assistant Superintendent, and Chief Financial Officer (CFO) will meet at least quarterly, to review all mandated program allotments. The 2022-2023 meeting weeks are as noted:
  - Quarter 1 – (September–November) - meet week of Dec 19
  - Quarter 2 – (December–February) - meet week of March 20
  - Quarter 3 – (March-May) – meet week of June 19
- The CFO will complete the SOF template every 6 weeks.
- Updated 6-week SOF calculations will be used to track the allotted amount, required to spend and the actual spent year-to-date. This will be reviewed and monitored to make sure the required amount to spend is on track.

**Finding 2022-002-Child Nutrition Cluster-Material Weakness in Internal Control over Financial Reporting-Duplicate Claim Reimbursement Request**

Millsap ISD will implement a system of internal controls to mitigate the possibility of claim duplication. The following are the steps Millsap ISD will implement.

- The Director of Child Nutrition will run the Monthly Claim report for each campus and a summary of the district for the month.
- The Director of Child Nutrition will review these reports for unreconciled meals, missing data, and possible errors.
- After review of the reports, the Director of Child Nutrition will enter the claim data by site, based on eligibility in TX-UNPS as it is reported in the Point of Sale (POS) system. As the Director of Child Nutrition enters and verifies the data for each site in the TX-UNPS

claim system, the data is aggregated and will be verified for accuracy to the district summary report from the Point of Sale.

- The monthly claim report for the POS system will be printed, and attached to the claim for reimbursement summary showing site details from the TX-UNPS claim system.
- The Director of Child Nutrition will verify that the data entered for the Claim for Reimbursement match the data from the monthly claim report and sign off with date and time that it is correct.
- This document will be given to the CFO, who will verify it as well with signature, date, and time.
- If discrepancies are found, a revised claim may be filed with the state within 60 days of the last day of the claimed month.

**Finding 2022-003-Education Stabilization Fund-Material Weakness in Internal Control over Cash Management – Excess Claim Reimbursements Requests**

Millsap ISD will implement a system of internal controls to mitigate the possibility of claim duplication for all federal funding sources. The following are the steps Millsap ISD will implement.

- The CFO will keep track of expenses in all federal funds and will submit for reimbursement every quarter.
- Prior to requesting reimbursement, the CFO will print a year-to-date report from Ascender demonstrating quarterly expenses minus prior reimbursements.
- The total expense report, utilized to verify request for reimbursement, will be confirmed by the CFO and Assistant Superintendent with signatures, dates, and times.
- Upon verification, the CFO will request federal reimbursement.
- After receiving and posting requested funds, the CFO will compare expense and income on the as of date to confirm that more income than expenses have not been submitted for reimbursement.

# **MILLSAP INDEPENDENT SCHOOL DISTRICT**

## **Summary Schedule of Prior Audit Findings Year Ended August 31, 2022**

There were no findings in the prior year.



**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2022**

| Federal Grantor/Pass-Through<br>Grantor/ Program Title           | Assistance<br>Listing<br>Number | Pass-Through<br>Entity Identifying<br>Number | Expenditures<br>and<br>Indirect Costs | Amount<br>Relating to<br>Pass-Through<br>to Subrecipients |
|--|---------------------------------|--|---------------------------------------|---|
| <u>U.S. Department of Agriculture</u>                            |                                 |  |                                       |   |
| Child Nutrition Cluster:   |                                 |  |                                       |   |
| Passed Through Texas Department of Agriculture:                  |                                 |  |                                       |   |
| COVID-19 - Supply Chain Assistance Grant                         | 10.555                          | 6TX300400                                    | \$ 37,601                             | \$ -  |
| National School Lunch Program (Non-cash)                         | 10.555                          | 184-904                                      | 53,183                                | -   |
| Total Passed Through Texas Department of Agriculture             |                                 |  | <u>90,784</u>                         | <u>-</u>  |
| Passed Through State Department of Education:                    |                                 |  |                                       |   |
| School Breakfast Program   | 10.553                          | 71402201                                     | 119,727                               | -   |
| National School Lunch Program                                    | 10.555                          | 71302201                                     | 585,426                               | -   |
| Total Passed Through State Department of Education               |                                 |  | <u>705,153</u>                        | <u>-</u>  |
| Total Child Nutrition Cluster                                    |                                 |  | <u>795,937</u>                        | <u>-</u>  |
| Passed Through Texas Department of Agriculture:                  |                                 |  |                                       |   |
| COVID-19 - Pandemic Electronic Benefit Transfer                  | 10.649                          | 184-904                                      | 614                                   | -   |
| Total U.S. Department of Agriculture                             |                                 |  | <u>796,551</u>                        | <u>-</u>  |
| <u>U.S. Department of Education</u>                              |                                 |  |                                       |   |
| Passed Through State Department of Education:                    |                                 |  |                                       |   |
| ESEA Title I Part A - Improving Basic Programs                   | 84.010A                         | 22610101184904                               | 116,883                               | -   |
| ESEA Title II Part A - Teacher & Principal Training & Recruiting | 84.367A                         | 22694501184904                               | 11,261                                | -   |
| Education Stabilization Fund:                                    |                                 |  |                                       |   |
| COVID-19 - CRRSA ESSER II Grant Program                          | 84.425D                         | 21521001184904                               | 205,620                               | -   |
| COVID-19 - CRRSA ESSER III Grant Program                         | 84.425U                         | 21528001184904                               | 101,173                               | -   |
| Total Education Stabilization Fund                               |                                 |  | <u>306,793</u>                        | <u>-</u>  |
| Total U.S. Department of Education                               |                                 |  | <u>434,937</u>                        | <u>-</u>  |
| <u>U.S. Department of Health and Human Services</u>              |                                 |  |                                       |   |
| Passed Through Texas Health and Human Services Commission:       |                                 |  |                                       |   |
| Medicaid Administrative Claiming Program - MAC                   | 93.778                          | HHS000537900264                              | 2,768                                 | -   |
| Total U.S. Department of Health and Human Services               |                                 |  | <u>2,768</u>                          | <u>-</u>  |
| Total Expenditures of Federal Awards                             |                                 |  | <u>\$ 1,234,256</u>                   | <u>\$ -</u>   |

The accompanying notes are an integral part of this schedule.

**MILLSAP INDEPENDENT SCHOOL DISTRICT**

*NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2022*

A. Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal grant activity of Millsap Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from the amounts presented in, or used in the preparation of, the basic financial statements.

B. Reconciliation of Federal Expenditures per the SEFA to the Basic Financial Statements

|  |                    |
|--|--------------------|
| Amount of federal revenues per Exhibit C-2   | \$1,459,402        |
| Less E-rate reimbursements not considered to be federal awards for inclusion on the Schedule of Expenditures of Federal Awards                                   | ( 73,495)          |
| Less Medicaid reimbursements not considered to be federal awards for inclusion on the Schedule of Expenditures of Federal Awards                                 | ( 151,448)         |
| Less Coronavirus relief grant funds received from the county not considered to be federal awards for inclusion on the Schedule of Expenditures of Federal Awards | ( _____ 203)       |
| Total expenditures of federal awards per the Schedule of Expenditures of Federal Awards  | <u>\$1,234,256</u> |

C. De Minimis Indirect Cost Rate

Entities that receive federal awards for which an indirect cost rate has never been negotiated may elect to charge a de minimis indirect cost rate of ten percent of modified total direct costs. The District did not elect to charge the de minimis rate to any of its federal awards during the year ended August 31, 2022.

**MILLSAP INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL  
FIRST INDICATORS (UNAUDITED)  
FOR THE YEAR ENDED AUGUST 31, 2022**

| <u>Data<br/>Control<br/>Codes</u>  | <u>Responses</u> |
|--|------------------|
| SF1 Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?   | Yes              |
| 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               |
| SF3 Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?   | Yes              |
| SF4 Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.   | No               |
| 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?   | Yes              |
| 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?   | Yes              |
| SF7 Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year end? | Yes              |
| SF8 Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?   | Yes              |
| SF9 Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end  | \$ -             |