

MILLSAP INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2021

MILLSAP INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED AUGUST 31, 2021

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MILLSAP INDEPENDENT SCHOOL DISTRICT

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2021**

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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, 2021, at a meeting of the Board of Trustees of such school district on the 13th day of December, 2021.



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
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Independent Auditor's Report on Financial Statements

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

Members of the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Millsap Independent School District (District) as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Millsap Independent School District as of August 31, 2021, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,

Handwritten signature in cursive script: "Edgin, Parkman, Fleming & Fleming, PC".

Edgin, Parkman, Fleming & Fleming, PC

October 26, 2021

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, 2021. 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, 2021 by \$4,591,473 (net position). Of this amount, the amount of net position that is unrestricted and may be used to meet the District's obligations is \$1,312,474.
- During the year, the District's net position increased by \$1,117,364 as a result of current operations. The District's expenses, which totaled \$14,780,289, were less than the District's program revenues of \$2,117,049 and general revenues of \$13,780,604.
- The total cost of the District's programs increased \$334,988 from last year. The increase is mainly attributable to an increase in instructional and related expenses due to the District adding several positions and raising the substitute teacher rate in the current year.
- The governmental funds reported a fund balance this year of \$8,409,142, which is an increase of \$440,033 in comparison with the prior year amount.
- At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$4,162,875, or 33% of the total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

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

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

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

The *statement of activities* details how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected property taxes and earned but unused vacation leave).

Fund Financial Statements

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

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

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

Because the focus on *governmental funds* is narrower than that of government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's short-term financing decisions. Reconciliations are provided for both the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances. These reconciliations facilitate the comparison between *governmental funds* and *governmental activities*.

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

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

Notes to the Basic Financial Statements

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

Other Information

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

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

Government-wide Financial Analysis

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

Table 1 - District's Net Position

	Governmental Activities			
	2021	2020	Change	% Change
Current and other assets	\$ 9,431,014	\$ 8,499,484	\$ 931,530	11%
Capital assets, net	18,470,730	19,123,478	(652,748)	-3%
Total Assets	27,901,744	27,622,962	278,782	1%
TRS and Refunding Outflows	3,827,053	3,215,961	611,092	100%
Total Deferred Outflows	3,827,053	3,215,961	611,092	100%
Current liabilities	936,803	459,041	477,762	104%
Noncurrent liabilities	23,540,520	24,928,145	(1,387,625)	-6%
Total Liabilities	24,477,323	25,387,186	(909,863)	-4%
TRS Related Outflows	2,660,001	1,977,600	682,401	100%
Total Deferred Outflows	2,660,001	1,977,600	682,401	100%
Net position:				
Net investment in capital assets	1,847,702	907,873	939,829	104%
Restricted	1,431,297	1,171,399	259,898	22%
Unrestricted	1,312,474	1,394,837	(82,363)	-6%
Total Net Assets	\$ 4,591,473	\$ 3,474,109	\$ 1,117,364	32%

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 \$1,847,702. 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, \$1,431,297, represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position totaling \$1,312,474 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 \$15,897,649. A significant portion, 40%, of the District's revenue comes from property taxes. Unrestricted grants and contributions, which includes state aid formula grants, provided 46% of the revenues and 12% 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, 2021 and 2020 for the District's *governmental activities*.

Table 2 - District's Revenues

	Governmental Activities			
	2021	Percent	2020	Percent
Charges for services	\$ 253,870	2%	\$ 378,144	2%
Operating grants and contributions	1,863,179	12%	1,777,524	11%
Property taxes	6,411,559	40%	6,734,071	42%
Grants and contributions not restricted	7,327,064	46%	6,967,643	44%
Investment earnings	15,940	0%	93,363	1%
Miscellaneous	26,037	0%	24,932	0%
Total Revenues	<u>\$ 15,897,649</u>	<u>100%</u>	<u>\$ 15,975,677</u>	<u>100%</u>

Exhibited below in Table 3 are the District's expenses for the years ended August 31, 2021 and 2020 for the District's *governmental activities*. The total cost of all programs and services was \$14,780,289. Instructional and related costs totaled 54% of these costs while student support was 16% and nonstudent support was 12%.

Table 3 - District's Expenses

	Governmental Activities			
	2021	Percent	2020	Percent
Instructional & related	\$ 8,170,144	54%	\$ 7,967,135	56%
Leadership	842,003	6%	876,053	6%
Student support	2,317,006	16%	2,233,505	15%
Administrative support	860,484	6%	829,399	6%
Nonstudent support	1,719,509	12%	1,607,444	11%
Other	871,143	6%	931,765	6%
Total Expenses	<u>\$ 14,780,289</u>	<u>100%</u>	<u>\$ 14,445,301</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			
	2021	2020	Change	% Change
Revenues:				
Program revenues:				
Charges for services	\$ 253,870	\$ 378,144	\$ (124,274)	-33%
Operating and capital grants and contributions	1,863,179	1,777,524	85,655	5%
General revenues:				
Property taxes	6,411,559	6,734,071	(322,512)	-5%
Grants and contributions not restricted	7,327,064	6,967,643	359,421	5%
Investment earnings	15,940	93,363	(77,423)	-83%
Miscellaneous	26,041	24,932	1,109	4%
Total revenues	<u>15,897,653</u>	<u>15,975,677</u>	<u>(78,024)</u>	<u>0%</u>
Expenses				
Instruction	7,972,331	7,780,304	192,027	2%
Instructional resources and media services	35,871	42,163	(6,292)	-15%
Curriculum and staff development	161,942	144,668	17,274	12%
School leadership	842,003	876,053	(34,050)	-4%
Guidance, counseling, and evaluation services	299,100	307,609	(8,509)	-3%
Health services	207,047	176,937	30,110	17%
Student (pupil) transportation	425,897	422,794	3,103	1%
Food services	706,524	636,097	70,427	11%
Cocurricular/extracurricular activities	678,438	690,068	(11,630)	-2%
General administration	860,484	829,399	31,085	4%
Facilities maintenance and operations	1,526,542	1,401,761	124,781	9%
Security and monitoring services	90,364	102,980	(12,616)	N/A
Data processing services	102,603	102,703	(100)	0%
Interest on long-term debt	591,882	632,512	(40,630)	-6%
Bond issuance costs and fees	5,730	5,930	(200)	-3%
Payments related to shared service arrangements	162,357	192,379	(30,022)	-16%
Intergovernmental charges	111,174	100,944	10,230	N/A
Total expenses	<u>14,780,289</u>	<u>14,445,301</u>	<u>334,988</u>	<u>2%</u>
Change in net position	<u>\$ 1,117,364</u>	<u>\$ 1,530,376</u>	<u>\$ (413,012)</u>	<u>-27%</u>

Significant changes between years are as follows:

- Property taxes decreased \$322,512 as a result of a 17% decline in the I&S tax rate from \$0.4022 in the prior year to \$0.3346 in the current year.
- Grants and contributions not restricted increased by \$359,421, or 5%, mainly due to two additional state accrual days and increased state funding.
- Instruction increased \$192,027, or 2%, due to the District adding several positions and raising the substitute teacher rate by \$35 in the current year which were offset by a \$246,462 reduction on pension and OPEB expenses.

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			
	2021	Percent	2020	Percent
Instructional & related Leadership	\$ 7,172,574	57%	\$ 6,894,020	56%
Student support	770,855	6%	792,639	6%
Administrative support	1,486,506	12%	1,480,255	12%
Nonstudent support	821,582	6%	772,696	6%
Other	1,579,041	12%	1,458,800	13%
Total Net Costs	\$ 832,682	7%	891,223	7%
	<u>\$ 12,663,240</u>	<u>100%</u>	<u>\$ 12,289,633</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, 2021, the District's governmental funds reported a combined ending fund balance of \$8,409,142, an increase of \$440,033 from the previous year.

**Table 6 - Governmental Funds - Fund Balances
August 31, 2021**

	General Fund	Debt Service	Other Funds	Totals
Restricted for:				
Federal and state grants	\$ -	\$ -	\$ 4,937	\$ 4,937
Debt service	-	1,341,292	-	1,341,292
Committed for:				
Construction	2,031,399	-	-	2,031,399
Insurance	500,000	-	-	500,000
Capital expenditures	150,000	-	-	150,000
Assigned:				
Retirement incentives	78,011	-	-	78,011
Campus activity funds	-	-	140,628	140,628
Unassigned	4,162,875	-	-	4,162,875
Total Fund Balances	<u>\$ 6,922,285</u>	<u>\$ 1,341,292</u>	<u>\$ 145,565</u>	<u>\$ 8,409,142</u>

General Fund

At the end of the current fiscal year, the ending fund balance for the General Fund was \$6,922,285 of which \$4,162,875 was unassigned. The total fund balance represents 55% of the total General Fund expenditures for the year ended August 31, 2021. The fund balance increased by \$183,670 in the current fiscal year.

General Fund revenues totaled \$12,846,917, an increase of \$278,671, from the preceding year. The individual revenue categories that had significant fluctuations are as follows:

- Local revenues decreased by \$106,537 due to the state picking up a greater portion of tax due to tax compression.
- State program revenues increased by \$424,880 due to an increase in state funds related to increased enrollment and attendance.

General Fund expenditures totaled \$12,590,528, an increase of \$1,185,507 from the preceding year. The functional categories that changed the most were as follows:

- Instructional expenditures increased \$364,388 due to the District adding several positions and raising the substitute teacher rate in the current year.
- Co-Curricular expenditures decreased \$141,360 due to batting cage expenditures in the prior year and there were no such expenditures in the current year.
- Facilities maintenance and operations increased \$144,951 due to various purchases in the current year including middle school renovations, a tractor, floor scrubber and two convection steamers.
- Debt service increased \$715,000 due to the District paying off the maintenance note early.

ESSER II Fund

The ESSER II Fund is a new major fund in the current year that was funded through the CARES Act in response to the coronavirus pandemic. Revenues and expenses increased \$162,890 in the current 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, 2021 is \$1,341,292, an increase of \$265,718 over the prior year. Revenues decreased \$317,485 due to a 17% decrease in the I&S tax rate. Expenditures decreased \$835,399 from the prior year due to the District paying off their maintenance note early.

Other Governmental Funds

Other governmental funds consist of the various Special Revenue Funds. The total ending fund balance for other governmental funds combined was \$145,565, down from \$154,920 at the end of the prior year. Revenues increased from the prior year by \$86,572 and expenditures increased \$110,082. Revenue in the National School Lunch Program decreased at the local level due to the seamless summer option that provided free lunches for most of the year while increasing the state revenue for the year. Revenue also increased due to COVID money received from the County in the current year. Expenditure increase is related mostly to additional labor needed to adhere to COVID protocols along with increased costs due to free meals, participation and additional COVID costs.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget several times. None of the adjustments were significant. Even with these adjustments, actual expenditures were \$831,155 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. On the other hand, actual revenues were \$113,580 above final budget amounts with the budget variances mainly in local and state revenues. Most of the positive revenue budget variance is the result of conservative budgeting.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of August 31, 2021, the District had invested in a broad range of capital assets totaling \$18,470,730, net of accumulated depreciation, including land, buildings, and furniture and equipment. See Table 7 below.

Table 7 - Capital Assets, Net

	2021	2020	\$ Change	% Change
Land	\$ 947,249	\$ 947,249	\$ -	0%
Buildings and improvements	16,731,344	17,483,117	(751,773)	-4%
Furniture and equipment	792,137	622,653	169,484	27%
Construction in progress	-	70,459	(70,459)	-100%
Totals	<u>\$ 18,470,730</u>	<u>\$ 19,123,478</u>	<u>\$ (652,748)</u>	<u>-3%</u>

Capital assets, net of accumulated depreciation, decreased \$652,748 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, 2021, the District had \$17,875,134 in bonds and compensated absences as shown in Table 8 below.

Table 8 - Long-term Debt

	2021	2020	\$ Change	% Change
General obligations bonds	\$ 16,651,834	\$ 17,163,903	\$ (512,069)	-3%
Tax maintenance notes	-	861,000	(861,000)	-100%
Premiums on bonds	1,063,431	1,206,206	(142,775)	-12%
Accretion	81,858	235,011	(153,153)	-65%
Compensated absences	78,011	98,803	(20,792)	-21%
Totals	<u>\$ 17,875,134</u>	<u>\$ 19,564,923</u>	<u>\$ (1,689,789)</u>	<u>-9%</u>

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following indicators were taken into account when adopting the 2021-22 budget for the General Fund.

- Appraised value used for the 2021-2022 budget preparation is \$520 million, compared to the \$474 million actual appraised values in 2020-2021. This is due to increased property values and development within Millsap ISD boundaries.
- General Fund spending per student will decrease by \$314 to \$13,166/student in the 2021-22 budget as compared to the actual 2020-21 fiscal year due to the early pay-off of the maintenance note in 2020-21.

- The District's 2021-2022 refined average daily attendance was budgeted at 963 which is 10 above the final ADA for the 2020-21 fiscal year.

Amounts available for appropriation in the 2021-2022 General Fund's budget are \$12,678,835 which is less than a 1% increase from the 2020-2021 actual General Fund expenditures of \$12,590,428.

2021-2022 revenues are budgeted at \$12,678,835 which reflects a decrease of \$168,082 from the 2020-2021 actual General Fund revenues of \$12,846,917. The decrease is due to additional students and conservative budgeting.

If these estimates are realized, the District's General Fund's fund balance will not change at August 31, 2022.

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, 2021

Data Control Codes		1
		Governmental Activities
	Assets	
1110	Cash and cash equivalents	\$ 1,817,360
1120	Current investments	7,163,466
1225	Property taxes receivable, net	111,425
1240	Due from other governments	329,931
1290	Other receivables	8,832
	Capital assets:	
1510	Land	947,249
1520	Buildings and improvements, net	16,731,344
1530	Furniture and equipment, net	792,137
1000	Total assets	<u>27,901,744</u>
	Deferred outflows of resources	
1701	Deferred loss on refunding	1,174,096
1705	Pension-related outflows	1,314,855
1706	OPEB-related outflows	1,338,102
1700	Total deferred outflows of resources	<u>3,827,053</u>
	Liabilities	
2110	Accounts payable	12,942
2140	Accrued interest	26,357
2150	Payroll deductions & withholdings	68,649
2160	Accrued wages payable	429,894
2180	Due to other governments	390,299
2200	Accrued expenses	8,471
2300	Unearned revenues	191
	Noncurrent liabilities:	
2501	Portion due or payable within one year	631,834
2502	Portion due or payable after one year	17,243,301
2540	Net pension liability	2,625,854
2545	Net OPEB liability	3,039,531
2000	Total liabilities	<u>24,477,323</u>
	Deferred inflows of resources	
2605	Pension-related inflows	434,285
2606	OPEB-related inflows	2,225,716
2600	Total deferred inflows of resources	<u>2,660,001</u>
	Net Position	
3200	Net investment in capital assets	1,847,702
	Restricted for:	
3820	Federal and state programs	4,936
3850	Debt service	1,426,361
3900	Unrestricted	1,312,474
3000	Total net position	<u>\$ 4,591,473</u>

See accompanying notes to the basic financial statements.

MILLSAP INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	Functions/Programs	1	3	4	6
		Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Governmental Activities
	Governmental activities:				
11	Instruction	\$ 7,972,331	\$ -	\$ 927,646	\$ (7,044,685)
12	Instructional resources and media services	35,871	-	1,836	(34,035)
13	Curriculum and staff development	161,942	-	68,088	(93,854)
23	School leadership	842,003	-	71,148	(770,855)
31	Guidance, counseling, & evaluation services	299,100	-	30,295	(268,805)
33	Health services	207,047	-	24,756	(182,291)
34	Student transportation	425,897	-	31,004	(394,893)
35	Food services	706,524	107,132	467,069	(132,323)
36	Cocurricular/extracurricular activities	678,438	146,738	23,506	(508,194)
41	General administration	860,484	-	38,902	(821,582)
51	Facilities maintenance and operations	1,526,542	-	114,587	(1,411,955)
52	Security and monitoring	90,364	-	19,859	(70,505)
53	Data processing services	102,603	-	6,022	(96,581)
72	Interest on long-term debt	591,882	-	38,461	(553,421)
73	Bond issuance costs and fees	5,730	-	-	(5,730)
93	Payments to shared service arrangements	162,357	-	-	(162,357)
99	Intergovernmental charges	111,174	-	-	(111,174)
TG	Total governmental activities	<u>\$ 14,780,289</u>	<u>\$ 253,870</u>	<u>\$ 1,863,179</u>	<u>(12,663,240)</u>
	General revenues:				
MT	Property taxes, levied for general purposes				4,866,286
DT	Property taxes, levied for debt service				1,545,273
SF	State aid - formula grants				7,043,209
GC	Grants and contributions not restricted to specific programs				283,855
IE	Investment earnings				15,940
MI	Miscellaneous				26,041
TR	Total general revenues				<u>13,780,604</u>
CN	Change in net position				1,117,364
NB	Net position - beginning				3,474,109
NE	Net position - ending				<u>\$ 4,591,473</u>

See accompanying notes to the basic financial statements.

MILLSAP INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2021

Data Control Codes		10	
		General Fund	ESSER II Fund
Assets			
1110	Cash and cash equivalents	\$ 1,203,612	\$ -
1120	Investments - current	6,306,743	-
1225	Property taxes receivable, net	85,624	-
1240	Due from other governments	109,601	155,096
1260	Due from other funds	177,435	-
1290	Other receivables	7,969	-
1000	Total assets	<u>\$ 7,890,984</u>	<u>\$ 155,096</u>
Liabilities			
2110	Accounts payable	\$ 12,942	\$ -
2150	Payroll deductions and withholdings	68,649	-
2160	Accrued wages payable	402,855	7,456
2170	Due to other funds	-	147,498
2180	Payable to other governments	390,299	-
2200	Accrued expenditures	8,330	142
2300	Unearned revenue	-	-
2000	Total liabilities	<u>883,075</u>	<u>155,096</u>
Deferred inflows of resources			
2601	Unavailable revenue - property taxes	85,624	-
2600	Total deferred inflows of resources	<u>85,624</u>	<u>-</u>
Fund balances			
Restricted fund balances:			
3450	Federal or state funds grant restriction	-	-
3480	Retirement of long-term debt	-	-
Committed fund balance:			
3510	Construction	2,031,399	-
3520	Insurance	500,000	-
3530	Capital expenditures for equipment	150,000	-
Assigned fund balance:			
3590	Other assigned fund balances	78,011	-
3600	Unassigned	4,162,875	-
3000	Total fund balances	<u>6,922,285</u>	<u>-</u>
4000	Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,890,984</u>	<u>\$ 155,096</u>

See accompanying notes to the basic financial statements.

50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 483,705	\$ 130,041	\$ 1,817,358
856,724	-	7,163,467
25,801	-	111,425
-	65,235	329,932
-	-	177,435
863	-	8,832
<u>\$ 1,367,093</u>	<u>\$ 195,276</u>	<u>\$ 9,608,449</u>
\$ -	\$ -	\$ 12,942
-	-	68,649
-	19,583	429,894
-	29,937	177,435
-	-	390,299
-	-	8,472
-	191	191
<u>-</u>	<u>49,711</u>	<u>1,087,882</u>
25,801	-	111,425
<u>25,801</u>	<u>-</u>	<u>111,425</u>
-	4,937	4,937
1,341,292	-	1,341,292
-	-	2,031,399
-	-	500,000
-	-	150,000
-	140,628	218,639
-	-	4,162,875
<u>1,341,292</u>	<u>145,565</u>	<u>8,409,142</u>
<u>\$ 1,367,093</u>	<u>\$ 195,276</u>	<u>\$ 9,608,449</u>

MILLSAP INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AUGUST 31, 2021

Data
Control
Codes

	Total fund balances - governmental funds (Exhibit C-1)		\$ 8,409,142
	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	\$ 35,457,389	
1	Related accumulated depreciation	<u>16,986,659</u>	18,470,730
	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			111,425
	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	16,651,834	
	Premiums on CIB's	1,063,431	
	Accretion	81,858	
	Deferred loss on refunding	(1,174,096)	
3	Compensated absences	<u>78,011</u>	(16,701,038)
	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			(26,357)
	The District's net pension and OPEB liabilities and related deferred outflows and inflows related to its proportionate share of the Teacher Retirement System pension and OPEB plans are not due and payable in the current period and are, therefore, not reported in the governmental funds financial statements. These items consist of:		
	Net pension liability	2,625,854	
	Deferred outflows - pension related items	(1,314,855)	
	Deferred inflows - pension related items	434,285	
	OPEB liability	3,039,531	
	Deferred outflows - OPEB related items	(1,338,102)	
5	Deferred inflows - OPEB related items	<u>2,225,716</u>	<u>(5,672,429)</u>
19	Total net position - governmental activities (Exhibit A-1)		<u>\$ 4,591,473</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, 2021**

Data Control Codes		10	
		General Fund	ESSER II Fund
	Revenues		
5700	Local and intermediate sources	\$ 4,930,379	\$ -
5800	State program revenues	7,632,683	-
5900	Federal program revenues	283,855	162,890
5020	Total revenues	<u>12,846,917</u>	<u>162,890</u>
	Expenditures		
0011	Instruction	6,682,844	157,103
0012	Instructional resources and media services	32,418	-
0013	Curriculum and staff development	81,250	-
0023	School leadership	736,380	-
0031	Guidance, counseling, & evaluation services	263,869	5,787
0033	Health services	175,034	-
0034	Student transportation	579,101	-
0035	Food services	20,997	-
0036	Cocurricular/extracurricular activities	504,583	-
0041	General administration	777,963	-
0051	Facilities maintenance and operations	1,419,817	-
0052	Security and monitoring	66,046	-
0053	Data processing services	91,461	-
0071	Principal on long-term debt	861,000	-
0072	Interest on long-term debt	23,634	-
0073	Bond issuance costs and fees	500	-
0093	Payments to shared service arrangements	162,357	-
0099	Other intergovernmental charges	111,174	-
6030	Total expenditures	<u>12,590,428</u>	<u>162,890</u>
1100	Excess of revenues over (under) expenditures	<u>256,489</u>	<u>-</u>
	Other Financing Sources (Uses)		
7912	Proceeds from the sale of capital assets	8,900	-
7915	Transfers in	-	-
8911	Transfers out	(81,719)	-
7080	Total other financing sources (uses)	<u>(72,819)</u>	<u>-</u>
1200	Net change in fund balance	183,670	-
0100	Fund balances - beginning	<u>6,738,615</u>	<u>-</u>
3000	Fund balances - ending	<u>\$ 6,922,285</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements.

50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 1,550,688	\$ 225,580	\$ 6,706,647
38,461	112,970	7,784,114
-	772,565	1,219,310
<u>1,589,149</u>	<u>1,111,115</u>	<u>15,710,071</u>
-	266,243	7,106,190
-	-	32,418
-	65,693	146,943
-	15,377	751,757
-	4,034	273,690
-	9,063	184,097
-	7,465	586,566
-	612,502	633,499
-	108,219	612,802
-	-	777,963
-	97,991	1,517,808
-	15,602	81,648
-	-	91,461
647,258	-	1,508,258
670,943	-	694,577
5,230	-	5,730
-	-	162,357
-	-	111,174
<u>1,323,431</u>	<u>1,202,189</u>	<u>15,278,938</u>
<u>265,718</u>	<u>(91,074)</u>	<u>431,133</u>
-	-	8,900
-	81,719	81,719
-	-	(81,719)
<u>-</u>	<u>81,719</u>	<u>8,900</u>
265,718	(9,355)	440,033
<u>1,075,574</u>	<u>154,920</u>	<u>7,969,109</u>
<u>\$ 1,341,292</u>	<u>\$ 145,565</u>	<u>\$ 8,409,142</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, 2021

Net change in fund balances - total governmental funds (Exhibit C-2)		\$ 440,033
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	\$ 353,105	
Depreciation expense for the year	<u>1,002,326</u>	(649,221)
Proceeds from the sale of capital assets are recorded as revenues when received in the governmental funds. In the Statement of Activities, the difference between the proceeds and the book value of the capital asset is reported as a gain or loss from sale. The book value of the capital assets disposed of during the year was:		
		(3,527)
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.		
		(4,614)
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	512,069	
Tax maintenance notes	<u>861,000</u>	1,373,069
The accretion and amortization of capital appreciation bonds and CIB premiums are only reported in the Statement of Activities.		
		295,927
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:		
		18,377
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 decreased by:		
		20,792
Amortization of deferred losses on refundings is only reported on the government-wide financial statements. Current amortization is:		
		(76,420)
The District participates in a defined benefit pension plan. Contributions to the plan are expenditures at the fund level when payments are due. At the government-wide level, pension expenses are recognized on an actuarial basis. Payments were less than the actuarial expense in the current year.		
		(280,053)
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>(16,999)</u>
Change in net position of governmental activities (Exhibit B-1)		<u>\$ 1,117,364</u>

See accompanying notes to the basic financial statements.

MILLSAP INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
AUGUST 31, 2021

Data Control Codes		<u>Custodial Funds</u>	<u>Fiduciary Component Unit</u>
		<u>Student Activity</u>	<u>Millsap Education Foundation</u>
	Assets		
1110	Cash and cash equivalents	\$ 67,723	\$ -
1810	Restricted assets	-	209,708
1000	Total assets	<u>67,723</u>	<u>209,708</u>
	Net Position		
3800	Restricted	67,723	209,708
3000	Total net position	<u>\$ 67,723</u>	<u>\$ 209,708</u>

See accompanying notes to the basic financial statements.

MILLSAP INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
AUGUST 31, 2021

	Custodial Funds	Fiduciary Component Unit
	Student Activity	Millsap Education Foundation
Operating Revenues		
Student activity revenues	\$ 70,521	\$ -
Contributions	-	29,595
Total operating revenues	<u>70,521</u>	<u>29,595</u>
Operating expenses:		
Student activity expenses	64,495	-
Investment loss	-	1,391
Scholarships paid	-	13,516
Total operating expenses	<u>64,495</u>	<u>14,907</u>
Change in net position	<u>6,026</u>	<u>14,688</u>
Net position - beginning, as originally stated	-	195,020
Prior period adjustment	61,697	-
Net position - beginning, as restated	<u>61,697</u>	<u>195,020</u>
Net position - ending	<u>\$ 67,723</u>	<u>\$ 209,708</u>

See accompanying notes to the basic financial statements.

MILLSAP INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2021

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, 2021

Elementary and Secondary School Emergency Relief Fund II (ESSER II) Fund: This fund is used to account for federal stimulus ESSER II funds granted through the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act. This fund supports the District's ability to operate, instruct its students, address learning loss, prepare schools for reopening, test, repair, and upgrade projects to improve air quality in school buildings during the coronavirus pandemic.

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 (assets equal liabilities). Custodial funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

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

b. Measurement Focus, Basis of Accounting

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

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

MILLSAP INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

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.

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, 2021, net property taxes receivable is calculated as follows:

Gross property taxes receivable	\$205,866
Allowance for uncollectible taxes	(94,441)
Net property taxes receivable	<u>\$111,425</u>

d. Inventories and Prepaid Items

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

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

MILLSAP INDEPENDENT SCHOOL DISTRICT
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 FOR THE YEAR ENDED AUGUST 31, 2021

e. Capital Assets

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

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

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

f. Receivable and Payable Balances

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

There are no significant receivables, except for delinquent property taxes receivable, which are not scheduled for collection within one year of year end. Of the \$205,866 gross property tax receivable at August 31, 2021, 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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

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, 2021 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 in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

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

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

MILLSAP INDEPENDENT SCHOOL DISTRICT
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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, 2021, management has assigned \$78,011 for retirement incentives and \$140,628 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 2021, the District implemented GASB Statement No. 84, "Fiduciary Activities". GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the District will no longer be reporting agency funds in its fiduciary financial statements. The District reviewed its agency funds for classification under GASB No. 84 and determined that the funds will be reported in the new fiduciary classification of custodial funds. This reclassification resulted in the restatement of the District's fiduciary financial statements.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2021

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, 2021.

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, 2021, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$4,436,837 and the bank balance was \$4,707,365. The District's cash deposits at August 31, 2021, and during the year ended August 31, 2021, 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, 2021, the Foundation maintained \$38,962 of deposits that were fully-insured by FDIC.

2. Investments:

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

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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, 2021, are shown below.

<u>Investment or Investment Type</u>	<u>Weighted Maturity (Months)</u>	<u>Fair Value</u>
Logic	1	\$ 365,656
Texas CLASS	1	4,246,057
Money Market Accounts	N/A	2,551,753
Total		<u>\$7,163,466</u>

The Foundation's investments at August 31, 2021 are shown below:

<u>Investment or Investment Type</u>	<u>Weighted Maturity (Months)</u>	<u>Fair Value</u>
Certificate of Deposit	66	<u>\$170,746</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 government entities or individuals who do not have a business relationship with LOGIC and are qualified to advise it. A maximum of two advisory board members represent the co-administrators of LOGIC. The co-administrators of the day-to-day administration of LOGIC are First Southwest Company and J.P. Morgan

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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.

D. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2021 is as follows:

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<u>Due To</u>	<u>Due From</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Other Governmental Funds	\$ 29,937	Short-term loan
General Fund	ESSER II Fund	<u>147,498</u>	Short-term loan
	Total	<u>\$177,435</u>	

2. Transfers To and From Other Funds

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>	<u>Purpose</u>
Other Governmental Funds	General Fund	<u>\$81,719</u>	Supplement operations

E. Capital Assets

Capital asset activity for the year ended August 31, 2021 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 947,249	\$ -	\$ -	\$ 947,249
Construction in progress	<u>70,459</u>	<u>44,249</u>	<u>114,708</u>	<u>-</u>
Total capital assets not being depreciated	<u>1,017,708</u>	<u>44,249</u>	<u>114,708</u>	<u>947,249</u>
Capital assets being depreciated:				
Buildings and improvements	32,188,950	142,689	-	32,331,639
Furniture and equipment	<u>2,021,563</u>	<u>280,875</u>	<u>123,937</u>	<u>2,178,501</u>
Total capital assets being depreciated	<u>34,210,513</u>	<u>423,564</u>	<u>123,937</u>	<u>34,510,140</u>
Less accumulated depreciation for:				
Buildings and improvements	14,705,833	894,462	-	15,600,295
Furniture and equipment	<u>1,398,910</u>	<u>107,864</u>	<u>120,410</u>	<u>1,386,364</u>
Total accumulated depreciation	<u>16,104,743</u>	<u>1,002,326</u>	<u>120,410</u>	<u>16,986,659</u>
Total capital assets being depreciated, net	<u>18,105,770</u>	<u>(578,762)</u>	<u>3,527</u>	<u>17,523,481</u>
Governmental activities capital assets, net	<u>\$19,123,478</u>	<u>(\$ 534,513)</u>	<u>\$118,235</u>	<u>\$18,470,730</u>

Depreciation expense was charged to functions as follows:

<u>Governmental activities:</u>	
Instruction	\$ 571,227
Instructional Resources and Media Services	2,611
Curriculum and Staff Development	11,836
School Leadership	60,553
Guidance, Counseling, & Evaluation Services	22,045
Health Services	14,829
Student Transportation	30,853
Food Services	51,027
Extracurricular Activities	49,360
General Administration	61,996
Facilities Maintenance and Operations	112,045
Security and Monitoring Services	6,577
Data Processing Services	<u>7,367</u>
Total governmental depreciation	<u>\$1,002,326</u>

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FOR THE YEAR ENDED AUGUST 31, 2021

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, 2021, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental Activities:</u>					
General Obligation Bonds	\$17,163,903	\$ -	\$ 512,069	\$16,651,834	\$631,834
Tax Maintenance Notes	861,000	-	861,000	-	-
Premiums collected on CIBs	1,206,206	-	142,775	1,063,431	-
Accretion	235,011	-	153,153	81,858	-
Compensated absences *	<u>98,803</u>	<u>20,090</u>	<u>40,882</u>	<u>78,011</u>	<u>-</u>
Total governmental activities	<u>\$19,564,923</u>	<u>\$20,090</u>	<u>\$1,709,879</u>	<u>\$17,875,134</u>	<u>\$631,834</u>

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

2. General Obligation Bonds and Tax Maintenance Notes

Tax Maintenance Notes, Series 2010

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

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.

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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 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 and tax maintenance notes for the year ended August 31, 2021, is as follows:

	Amounts Outstanding 9/1/20	Issued	Retired	Amounts Outstanding 8/31/21	Amounts Due Within One Year
Unlimited Tax Refunding Bonds, Series 2014:					
Current Interest Bonds	\$ 2,285,000	\$ -	\$ 420,000	\$ 1,865,000	\$445,000
Unlimited Tax Refunding Bonds, Series 2014-A:					
Capital Appreciation Bonds	64,903	-	33,069	31,834	31,834
Current Interest Bonds	4,775,000	-	-	4,775,000	-
Unlimited Tax Refunding Bonds, Series 2015:					
Current Interest Bonds	7,820,000	-	-	7,820,000	-

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Unlimited Tax Refunding Bonds, Series 2016:					
Capital Appreciation Bonds	59,000	-	59,000	-	-
Current Interest Bonds	<u>2,160,000</u>	<u>-</u>	<u>-</u>	<u>2,160,000</u>	<u>155,000</u>
Total general obligation bonds	<u>17,163,903</u>	<u>-</u>	<u>512,069</u>	<u>16,651,834</u>	<u>631,834</u>
Maintenance Tax Notes, Series 2010	<u>861,000</u>	<u>-</u>	<u>861,000</u>	<u>-</u>	<u>-</u>
Total	<u>\$18,024,903</u>	<u>\$ -</u>	<u>\$1,373,069</u>	<u>\$16,651,834</u>	<u>\$631,834</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.

3. Debt Service Requirements

Debt service requirements on the long-term debt at August 31, 2021 are as follows:

<u>Year Ending August 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 631,834	\$ 715,728	\$ 1,347,563
2023	730,000	611,138	1,341,138
2024	750,000	586,625	1,336,625
2025	780,000	558,600	1,338,600
2026	985,000	523,300	1,508,300
2027-2031	5,400,000	2,006,750	7,406,750
2032-2036	6,020,000	892,400	6,912,400
2037	<u>1,355,000</u>	<u>27,100</u>	<u>1,382,100</u>
Totals	<u>\$16,651,834</u>	<u>\$5,921,641</u>	<u>\$22,573,475</u>

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

G. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2021, 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.

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

2. Pension Plan Fiduciary Net Position

Detailed information about the TRS's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained at 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.

In May 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. This action causing the pension fund to be actuarially sound, allowed the legislature to approve funding for a 13th check in September 2019. All eligible members retired as of December 31, 2018 received an extra annuity check in either the matching amount of their monthly annuity or \$2,000, whichever was less.

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>2020</u>	<u>2021</u>
Members (Employees)	7.7%	7.7%
Non-Employer Contributing Entity (State)	7.5%	7.5%
Employer (District)	7.5%	7.5%

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Members (Employees)	\$549,667	\$574,439
Non-Employer Contributing Entity (State)	\$429,689	\$457,430
Employer (District)	\$202,292	\$213,136

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 1.5% of the member's salary beginning in fiscal year 2020, 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.

5. Actuarial Assumptions

The total pension liability in the August 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term Expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2020	2.33%, 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)	2119
Inflation	2.30%
Salary Increases Including Inflation	3.05% to 9.05%
Ad hoc post-employment benefit changes	None

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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, 2019.

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, 2020 are summarized below:

<u>Asset Class</u>	<u>Target Allocation %⁽¹⁾</u>	<u>Long-term Expected Geometric Real Rate of Return⁽²⁾</u>	<u>Expected Contribution to Long-term Portfolio Returns</u>
Global Equity			
USA	18.0%	3.9%	0.99%
Non-U.S. Developed	13.0%	5.1%	0.92%
Emerging Markets	9.0%	5.6%	0.83%
Private Equity	14.0%	6.7%	1.41%
Stable Value			
Government Bonds ⁽³⁾	16.0%	-0.7%	-0.05%
Absolute Return (Including Credit Sensitive Investments)	--	1.8%	--
Stable Value Hedge Funds	5.0%	1.9%	0.11%
Real Return			
Real Estate	15.0%	4.6%	1.02%
Energy, Natural Resources and Infrastructure	6.0%	6.0%	0.42%
Commodities	--	0.8%	--
Risk Parity			
Risk Parity	8.0%	3.0%	0.30%
Asset Allocation Leverage			
Cash	2.0%	-1.5%	-0.03%
Asset Allocation Leverage	-6.0%	-1.3%	0.08%
Inflation Expectation			2.00%
Volatility Drag ⁽³⁾			-0.67%
Expected Return	<u>100.00%</u>		<u>7.33%</u>

⁽¹⁾ Target allocations are based on the FY 2020 policy model.

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⁽²⁾ Capital Market Assumptions come from Aon Hewitt (as of 08/31/2020).

⁽³⁾ 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% Decrease <u>6.25%</u>	Current Discount Rate <u>7.25%</u>	1% Increase <u>8.25%</u>
District's proportionate share of the net pension liability	<u>\$4,049,020</u>	<u>\$2,625,854</u>	<u>\$1,469,562</u>

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

At August 31, 2020, the District reported a liability of \$2,625,854 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for the State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$2,625,854
State's proportionate share that is associated with the District	<u>5,553,342</u>
Total	<u>\$8,179,196</u>

The net pension liability was measured as of August 31, 2019 and rolled forward to August 31, 2020 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, 2019 through August 31, 2020.

At August 31, 2020, the District's proportion of the collective net pension liability was 0.0049028275%, which was an increase of .00007252856% from its proportion measured as of August 31, 2019.

Changes Since the Prior Actuarial Valuation

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

For the year ended August 31, 2020, the District recognized pension expense of \$667,944 and revenue of \$427,821 for support provided by the State.

At August 31, 2020, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2021

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Differences between expected and actual economic experience	\$ 4,795	\$ 73,281
Changes in actuarial assumptions	609,292	259,067
Difference between projected and actual investment earnings	53,158	-
Changes in proportion and difference between the District contributions and the proportionate share of contributions	434,474	101,937
Contributions paid to TRS subsequent to the measurement date	<u>213,136</u>	<u>-</u>
Total	<u>\$1,314,855</u>	<u>\$434,285</u>

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

<u>Year Ended August 31</u>	<u>Pension Exp. Amount</u>
2021	\$182,009
2022	187,583
2023	168,203
2024	93,562
2025	21,742
Thereafter	14,335

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 a separately-issued Comprehensive Annual 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; by writing to TRS at 1000 Red River Street, Austin, Texas 78701-2698; or by calling (512) 542-6592.

3. Benefits Provided

TRS-Care provides a basic health insurance coverage 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.

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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.

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>2020</u>	<u>2021</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers (District)	0.75%	0.75%
Federal/private funding remitted by Employers	1.25%	1.25%
Employer Contributions	\$56,009	\$59,176
Member Contributions	\$46,400	\$48,002
NECE On-behalf Contributions	\$86,762 (1)	\$90,029

(1) Exclusion of \$15,573 of additional transfers made by the state to TRS related to the 86th Legislative Session, House Bill 1, made during the fiscal year ended August 31, 2021.

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2021

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$230.8 million in fiscal year 2020 to maintain premiums and benefit levels in the 2020-2021 biennium.

5. Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2019. Update procedures were used to roll forward the total OPEB liability to August 31, 2020.

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. All of the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation and salary increases, used in the OPEB valuation were identical to those used in the respective TRS pension valuation. 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, 2019 TRS pension actuarial valuation that was rolled forward to August 31, 2020:

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

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	2.33% as of August 31, 2020
Aging Factors	Based on plan specific experience
Election Rates	Normal Retirement: 65% participation 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	9.00% for Medicare retirees and 7.30% for non-Medicare retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 13 years.
Ad hoc post-employment benefit changes	None

6. Discount Rate

A single discount rate of 2.33% was used to measure the total OPEB liability. There was a decrease of .30% 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

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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, 2020 using the fixed-income 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 (2.33%) in measuring the net OPEB liability.

	1% Decrease <u>1.33%</u>	Current Discount Rate <u>2.33%</u>	1% Increase <u>3.33%</u>
District's proportionate share of the net OPEB liability	<u>\$3,647,431</u>	<u>\$3,039,531</u>	<u>\$2,559,378</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:

	1% Decrease <u>6.3% - 8.00%</u>	Healthcare Cost Trend Rate <u>7.3% - 9.00%</u>	1% Increase <u>8.3% - 10.00%</u>
District's proportionate share of the current healthcare cost trend rate	<u>\$2,482,908</u>	<u>\$3,039,531</u>	<u>\$3,780,875</u>

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

At August 31, 2020, the District reported a liability of \$3,039,531 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for the State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	<u>\$3,039,531</u>
State's proportionate share that is associated with the District	<u>4,084,401</u>
Total	<u>\$7,123,932</u>

The net OPEB liability was measured as of August 31, 2019 and rolled forward to August 31, 2020 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, 2019 through August 31, 2020.

At August 31, 2020, the District's proportion of the collective net OPEB liability was 0.0079957123%, compared to 0.0067488284% as of August 31, 2019.

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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 2.63% as of August 31, 2019 to 2.33% as of August 31, 2020. This change increased the total OPEB liability.
- The participation rate for post-65 retirees was lowered from 50% to 40%. This change lowered the total OPEB liability.
- The ultimate health care trend rate assumption was lowered from 4.50% to 4.25% as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change lowered 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 \$80,945.

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:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Differences between expected and actual economic experience	\$ 159,149	\$1,391,045
Changes in actuarial assumptions	187,476	834,670
Difference between projected and actual investment earnings	988	-
Changes in proportion and difference between District contributions and proportionate share of contributions	931,313	-
Contributions paid to TRS subsequent to the measurement date	<u>59,176</u>	<u>-</u>
Total	<u>\$1,338,102</u>	<u>\$2,225,716</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 August 31</u>	<u>OPEB Expense Amount</u>	<u>Balance of Deferred Outflows (Deferred Inflows)</u>
2021	(\$189,341)	(\$757,449)
2022	(189,473)	(567,976)
2023	(189,549)	(378,427)
2024	(189,530)	(188,897)
2025	(108,342)	(80,555)
Thereafter	(80,555)	-

For the year ended August 31, 2020, the District recognized OPEB expense of \$28,361 and revenue of \$81,663 for support provided by the State.

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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 \$35,626, \$30,251, and \$22,818 for the years ended August 31, 2021, 2020, and 2019, 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.

2. Litigation

No reportable litigation was pending against the District as of August 31, 2021.

3. Operating Leases

The District has no significant operating leases as of August 31, 2021.

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 \$162,357.

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.

L. COVID-19

Beginning in December 2019, a novel coronavirus, now designated SAR-CoV2 which causes the disease COVID-19 was declared a global pandemic by the World Health Organization. The symptoms of COVID-19 can range from severe illness and can cause complications including death. On March 13, 2020, the Governor of the State of Texas issued a proclamation certifying that COVID-19 poses an imminent threat of disaster in Texas and declared a state of disaster for all counties in Texas. A state of disaster requires that certain emergency protective measures be taken pursuant to the Texas Disaster Act of 1975 relating to Emergency Management and Public Health, pursuant to Chapter 418 of the Texas Government Code.

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State and local governments placed restrictions on the operations of businesses and public gatherings to promote health and slow the spread of the virus. The federal government passed several appropriations to address the negative economic impact caused by these restrictions. The District received \$307,898 in federal, state, and local grant awards during the year ended August 31, 2021. However, the impact of the COVID-19 pandemic on the national, state, and local economies and, ultimately, the District's finances is not known at this time.

M. Prior Period Adjustment

During fiscal year 2021, the District adopted GASB Statement No. 84, Fiduciary Activities. Prior to the implementation of GASB 84, the District's student activity funds were reported only in a statement of fiduciary assets and liabilities. After the implementation of GASB 84, the District's student activity funds are reported as custodial funds in a statement of fiduciary net position and in a statement of changes in fiduciary net position. The effect of reporting student activity funds as custodial funds is an increase to beginning net position of \$61,697 for custodial funds – student activity funds.

REQUIRED SUPPLEMENTARY INFORMATION

MILLSAP INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes		Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
		Original	Final		
	Revenues:				
5700	Local and intermediate sources	\$ 4,833,457	\$ 4,911,657	\$ 4,930,379	\$ 18,722
5800	State program revenues	7,228,827	7,538,217	7,632,683	94,466
5900	Federal program revenues	123,161	283,463	283,855	392
5020	Total revenues	12,185,445	12,733,337	12,846,917	113,580
	Expenditures:				
	Instruction & instructional related services:				
0011	Instruction	6,940,102	6,977,103	6,682,844	294,259
0012	Instructional resources and media services	48,388	48,388	32,418	15,970
0013	Curriculum and staff development	145,360	136,160	81,250	54,910
	Total instruction and instructional related services	7,133,850	7,161,651	6,796,512	365,139
	Instructional and school leadership:				
0023	School leadership	763,798	772,223	736,380	35,843
	Total instructional and school leadership	763,798	772,223	736,380	35,843
	Support services - student (pupil):				
0031	Guidance, counseling and evaluation services	284,484	287,894	263,869	24,025
0033	Health services	169,466	190,766	175,034	15,732
0034	Student transportation	471,866	632,633	579,101	53,532
0035	Food services	20,872	21,642	20,997	645
0036	Cocurricular/extracurricular activities	554,500	554,500	504,583	49,917
	Total support services - student (pupil)	1,501,188	1,687,435	1,543,584	143,851
	Administrative support services:				
0041	General administration	812,986	834,405	777,963	56,442
	Total administrative support services	812,986	834,405	777,963	56,442
	Support services - nonstudent based:				
0051	Facilities maintenance and operations	1,452,808	1,616,122	1,419,817	196,305
0052	Security and monitoring services	98,010	98,010	66,046	31,964
0053	Data processing services	81,773	92,529	91,461	1,068
	Total support services - nonstudent based	1,632,591	1,806,661	1,577,324	229,337
	Debt service:				
0071	Principal on long-term debt	861,000	861,000	861,000	-
0072	Interest on long-term debt	23,635	23,635	23,634	1
0073	Bond issuance costs and fees	1,000	1,000	500	500
	Total debt service	885,635	885,635	885,134	501
	Capital outlay:				
0081	Capital outlay	20	20	-	20
	Total capital outlay	20	20	-	20
	Intergovernmental charges:				
0093	Payments to SSAs	162,360	162,360	162,357	3
0099	Other intergovernmental charges	105,693	111,193	111,174	19
	Total intergovernmental charges	268,053	273,553	273,531	22
6030	Total expenditures	12,998,121	13,421,583	12,590,428	831,155

MILLSAP INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)	
	Original	Final			
1100	Excess of revenues over (under) expenditures	(812,676)	(688,246)	256,489	944,735
	Other financing sources (uses):				
7912	Proceeds from the sale of capital assets	-	8,900	8,900	-
8911	Transfers out	(48,324)	(130,151)	(81,719)	48,432
7080	Total other financing sources (uses)	(48,324)	(121,251)	(72,819)	48,432
1200	Net change in fund balance	(861,000)	(809,497)	183,670	993,167
0100	Fund balance - beginning	6,738,615	6,738,615	6,738,615	-
3000	Fund balance - ending	\$ 5,877,615	\$ 5,929,118	\$ 6,922,285	\$ 993,167

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, 2021

	<u>2021</u>	<u>2020</u>
District's proportion of the net pension liability	<u>0.0049028275%</u>	<u>0.0041775419%</u>
District's proportionate share of the net pension liability	\$ 2,625,854	\$ 2,171,617
State's proportionate share of the net pension liability associated with the District	<u>5,553,342</u>	<u>5,062,370</u>
Total	<u>\$ 8,179,196</u>	<u>\$ 7,233,987</u>
District's covered payroll	<u>\$ 7,138,534</u>	<u>\$ 6,119,264</u>
District's proportionate share of the net pension liability as a percentage of its covered payroll	<u>36.78%</u>	<u>35.49%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>75.54%</u>	<u>75.24%</u>

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

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

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>0.0043156699%</u>	<u>0.0040468156%</u>	<u>0.0045083000%</u>	<u>0.0045524000%</u>	<u>0.0022094000%</u>
\$ 2,375,449	\$ 1,293,954	\$ 1,703,630	\$ 1,503,167	\$ 590,161
<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>\$ 7,719,416</u>	<u>\$ 4,460,972</u>	<u>\$ 5,391,250</u>	<u>\$ 4,868,994</u>	<u>\$ 3,340,541</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>40.30%</u>	<u>23.08%</u>	<u>30.91%</u>	<u>30.13%</u>	<u>12.79%</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, 2021

	<u>2021</u>	<u>2020</u>
Contractually required contribution	\$ 213,136	\$ 202,292
Contributions in relation to the contractually required contribution	<u>(213,136)</u>	<u>(202,292)</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	<u>\$ 7,460,251</u>	<u>\$ 7,138,534</u>
Contributions as a percentage of covered payroll	<u>2.86%</u>	<u>2.83%</u>

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

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

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 146,219	\$ 145,384	\$ 57,663	\$ 143,241	\$ 125,915
<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>\$ 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>2.39%</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, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	<u>0.007995712%</u>	<u>0.006748828%</u>	<u>0.006649493%</u>	<u>0.006197332%</u>
District's proportionate share of the net OPEB liability	\$ 3,039,531	\$ 3,191,605	\$ 3,320,153	\$ 2,694,987
State's proportionate share of the net OPEB liability associated with the District	<u>4,084,401</u>	<u>4,240,927</u>	<u>5,222,269</u>	<u>4,549,552</u>
Total	<u>\$ 7,123,932</u>	<u>\$ 7,432,532</u>	<u>\$ 8,542,422</u>	<u>\$ 7,244,539</u>
District's covered payroll	<u>\$ 7,138,534</u>	<u>\$ 6,119,264</u>	<u>\$ 5,894,096</u>	<u>\$ 5,607,135</u>
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	<u>42.58%</u>	<u>52.16%</u>	<u>56.33%</u>	<u>48.06%</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>4.99%</u>	<u>2.66%</u>	<u>1.57%</u>	<u>0.91%</u>

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

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

MILLSAP INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S OTHER POST EMPLOYMENT BENEFIT (OPEB) CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
YEAR ENDED AUGUST 31, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 59,176	\$ 56,009	\$ 47,898	\$ 45,871
Contributions in relation to the contractually required contribution	<u>(59,176)</u>	<u>(56,009)</u>	<u>(47,898)</u>	<u>(45,871)</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	<u>\$ 7,460,251</u>	<u>\$ 7,138,534</u>	<u>\$ 6,119,264</u>	<u>\$ 5,894,096</u>
Contributions as a percentage of covered payroll	<u>0.79%</u>	<u>0.78%</u>	<u>0.78%</u>	<u>0.78%</u>

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

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

MILLSAP INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2021

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, 2020. The administration performs budget reviews by which budget requirements are re-evaluated and revisions recommended to the Board. The Board may approve amendments to the budget, which are required when a change is made to the functional expenditure categories or revenue object accounts, as defined by the Texas Education Agency. Total expenditures may exceed total appropriations, as amended, by fund as long as those expenditures are certified as being available by the budget officer to the Board. The budget amounts reflected in the accompanying schedule represent final amended budget amounts as approved by the Board.

b. Encumbrances

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

B. Defined Benefit Pension Plan

1. Change of Benefit Terms

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

MILLSAP INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2021

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 2.63% as of August 31, 2019 to 2.33% as of August 31, 2020. This change increased the total OPEB liability.
- The participation rate for post-65 retirees was lowered from 50% to 40%. This change lowered the total OPEB liability.
- The ultimate health care trend rate assumption was lowered from 4.5% to 4.25% as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change lowered the Total OPEB liability.

NONMAJOR GOVERNMENTAL FUNDS COMBINING STATEMENTS

MILLSAP INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2021

Data Control Codes		211 ESEA Title I Improving Basic Programs	240 National School Breakfast/Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II, A Training and Recruiting
Assets					
1110	Cash and cash equivalents	\$ -	\$ (10,778)	\$ -	\$ -
1240	Due from other governments	1,930	35,298	-	13,477
1000	Total assets	<u>\$ 1,930</u>	<u>\$ 24,520</u>	<u>\$ -</u>	<u>\$ 13,477</u>
Liabilities					
2160	Accrued wages payable	\$ -	\$ 19,583	\$ -	\$ -
2170	Due to other funds	1,930	-	-	13,477
2300	Unearned revenue	-	-	-	-
2000	Total liabilities	<u>1,930</u>	<u>19,583</u>	<u>-</u>	<u>13,477</u>
Fund balances					
Restricted fund balance:					
3450	Federal or state funds grant restriction	-	4,937	-	-
Assigned fund balance:					
3590	Campus activity funds	-	-	-	-
3000	Total fund balances	<u>-</u>	<u>4,937</u>	<u>-</u>	<u>-</u>
4000	Total liabilities and fund balances	<u>\$ 1,930</u>	<u>\$ 24,520</u>	<u>\$ -</u>	<u>\$ 13,477</u>

266 Elementary and Secondary School Emergency Relief	276 Title I, 1003 School Impr. Grant	277 Corona Virus Relief Fund CARES Act	289 Title IV Part A Subpart 1	410 State Textbook Fund	429 Math Achievement	461 Campus Activity Funds	Total Nonmajor Governmental Funds (See Exhibit C-1)
\$ -	\$ -	\$ -	\$ -	\$ 191	\$ -	\$ 140,628	\$ 130,041
-	13,928	-	-	-	602	-	65,235
<u>\$ -</u>	<u>\$ 13,928</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 191</u>	<u>\$ 602</u>	<u>\$ 140,628</u>	<u>\$ 195,276</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,583
-	13,928	-	-	-	602	-	29,937
-	-	-	-	191	-	-	191
<u>-</u>	<u>13,928</u>	<u>-</u>	<u>-</u>	<u>191</u>	<u>602</u>	<u>-</u>	<u>49,711</u>
-	-	-	-	-	-	-	4,937
-	-	-	-	-	-	140,628	140,628
-	-	-	-	-	-	140,628	145,565
<u>\$ -</u>	<u>\$ 13,928</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 191</u>	<u>\$ 602</u>	<u>\$ 140,628</u>	<u>\$ 195,276</u>

MILLSAP INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	211 ESEA Title I Improving Basic Programs	240 National School Breakfast/Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II, A Training and Recruiting
Revenues				
5700	Local and intermediate sources	\$ -	\$ 107,133	\$ -
5800	State program revenues	-	2,902	-
5900	Federal program revenues	115,559	461,293	29,954
5020	Total revenues	<u>115,559</u>	<u>571,328</u>	<u>29,954</u>
Expenditures				
0011	Instruction	93,591	-	6,504
0013	Curriculum and staff development	4,750	-	29,954
0023	School leadership	6,474	-	-
0031	Guidance, Counseling and Evaluation Services	4,034	-	-
0033	Health Services	-	-	-
0034	Student Transportation	6,710	-	-
0035	Food services	-	612,384	-
0036	Cocurricular/extracurricular activities	-	-	-
0051	Facilities maintenance and operations	-	60,246	-
0052	Security and monitoring	-	-	-
6030	Total expenditures	<u>115,559</u>	<u>672,630</u>	<u>29,954</u>
1100	Excess of revenues over (under) expenditures	<u>-</u>	<u>(101,302)</u>	<u>-</u>
Other Financing Sources				
7915	Transfers in	-	81,719	-
7080	Total other financing sources	<u>-</u>	<u>81,719</u>	<u>-</u>
1200	Net change in fund balance	-	(19,583)	-
0100	Fund balances - beginning	<u>-</u>	<u>24,520</u>	<u>-</u>
3000	Fund balances - ending	<u>\$ -</u>	<u>\$ 4,937</u>	<u>\$ -</u>

266 Elementary and Secondary School Emergency Relief	276 Title I, 1003 School Impr. Grant	277 Corona Virus Relief Fund CARES Act	289 Title IV Part A Subpart 1	410 State Textbook Fund	429 Math Achievement	461 Campus Activity Funds	Total Nonmajor Governmental Funds (See Exhibit C-2)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 118,447	\$ 225,580
-	-	-	-	94,466	15,602	-	112,970
<u>27,735</u>	<u>64,936</u>	<u>56,584</u>	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>772,565</u>
<u>27,735</u>	<u>64,936</u>	<u>56,584</u>	<u>10,000</u>	<u>94,466</u>	<u>15,602</u>	<u>118,447</u>	<u>1,111,115</u>
27,735	33,947	-	10,000	94,466	-	-	266,243
-	30,989	-	-	-	-	-	65,693
-	-	8,903	-	-	-	-	15,377
-	-	-	-	-	-	-	4,034
-	-	9,063	-	-	-	-	9,063
-	-	755	-	-	-	-	7,465
-	-	118	-	-	-	-	612,502
-	-	-	-	-	-	108,219	108,219
-	-	37,745	-	-	-	-	97,991
-	-	-	-	-	15,602	-	15,602
<u>27,735</u>	<u>64,936</u>	<u>56,584</u>	<u>10,000</u>	<u>94,466</u>	<u>15,602</u>	<u>108,219</u>	<u>1,202,189</u>
-	-	-	-	-	-	10,228	(91,074)
-	-	-	-	-	-	-	81,719
-	-	-	-	-	-	-	81,719
-	-	-	-	-	-	10,228	(9,355)
-	-	-	-	-	-	130,400	154,920
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 140,628</u>	<u>\$ 145,565</u>

OTHER SUPPLEMENTARY INFORMATION SECTION

MILLSAP INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2021

Fiscal Year Ending August 31,	1	2	3
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2012 and Prior Years	\$ Various	\$ Various	\$ Various
2013	1.1700	0.4950	277,989,806
2014	1.1700	0.4950	277,941,765
2015	1.1700	0.4950	290,199,996
2016	1.1700	0.4950	297,033,052
2017	1.1700	0.4950	304,509,279
2018	1.1700	0.4950	336,711,202
2019	1.1700	0.4422	393,152,766
2020	1.1700	0.4222	458,019,721
2021 (School year under audit)	1.0684	0.4022	428,325,592
1000 Totals			

10 Beginning Balance 9/1/2020	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/2021
\$ 47,769	\$ -	\$ 65	\$ 22	\$ (47)	\$ 47,636
6,972	-	43	18	(23)	6,888
6,767	-	278	117	(23)	6,349
9,073	-	292	124	(23)	8,634
8,106	-	437	185	(23)	7,460
9,366	-	1,295	548	(23)	7,500
15,200	-	10,502	3,969	9,789	10,517
20,994	-	19,228	6,939	21,521	16,349
79,187	-	28,054	10,561	(13,641)	26,931
-	6,298,742	4,769,664	1,513,160	51,684	67,603
<u>\$ 203,434</u>	<u>\$ 6,298,742</u>	<u>\$ 4,829,857</u>	<u>\$ 1,535,643</u>	<u>\$ 69,190</u>	<u>\$ 205,866</u>

MILLSAP INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL LUNCH AND BREAKFAST PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes		Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
		Original	Final		
	Revenues:				
5700	Local and intermediate sources	\$ 293,857	\$ 115,629	\$ 107,133	\$ (8,496)
5800	State program revenues	2,100	2,900	2,902	2
5900	Federal program revenues	325,274	445,276	461,293	16,017
5020	Total revenues	621,231	563,805	571,328	7,523
	Expenditures:				
	Current:				
	Support services - student (pupil):				
0035	Food services	608,555	632,221	612,384	19,837
	Total support services - student (pupil)	608,555	632,221	612,384	19,837
	Support services - nonstudent based:				
0051	Facilities maintenance and operations	61,000	61,735	60,246	1,489
	Total support services - nonstudent based	61,000	61,735	60,246	1,489
6030	Total expenditures	669,555	693,956	672,630	21,326
1100	Excess of revenues over (under) expenditures	(48,324)	(130,151)	(101,302)	28,849
	Other financing sources:				
7915	Transfers in	48,324	130,151	81,719	(48,432)
7080	Total other financing sources	48,324	130,151	81,719	(48,432)
1200	Net change in fund balance	-	-	(19,583)	(19,583)
0100	Fund balance - beginning	24,520	24,520	24,520	-
3000	Fund balance - ending	\$ 24,520	\$ 24,520	\$ 4,937	\$ (19,583)

MILLSAP INDEPENDENT SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes		Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
		Original	Final		
	Revenues:				
5700	Local and intermediate sources	\$ 1,514,982	\$ 1,514,982	\$ 1,550,688	\$ 35,706
5800	State program revenues	-	5,329	38,461	33,132
5020	Total revenues	<u>1,514,982</u>	<u>1,520,311</u>	<u>1,589,149</u>	<u>68,838</u>
	Expenditures:				
	Debt service:				
0071	Principal on long-term debt	511,970	511,970	647,258	(135,288)
0072	Interest on long-term debt	806,133	806,133	670,943	135,190
0073	Bond issuance costs and fees	60,000	60,000	5,230	54,770
	Total debt service	<u>1,378,103</u>	<u>1,378,103</u>	<u>1,323,431</u>	<u>54,672</u>
6030	Total expenditures	<u>1,378,103</u>	<u>1,378,103</u>	<u>1,323,431</u>	<u>54,672</u>
0100	Fund balance - beginning	1,075,574	1,075,574	1,075,574	-
3000	Fund balance - ending	<u>\$ 1,212,453</u>	<u>\$ 1,217,782</u>	<u>\$ 1,341,292</u>	<u>\$ 123,510</u>



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 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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 26, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

Edgin, Parkman, Fleming & Fleming, PC

Edgin, Parkman, Fleming & Fleming, PC

October 26, 2021

MILLSAP INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED AUGUST 31, 2021

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

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

Noncompliance material to the financial statements noted? Yes X No

2. Federal Awards

A Single Audit was not required for the year ended August 31, 2021.

B. Financial Statement Findings

None

C. Federal Award Findings and Questioned Costs

A Single Audit was not required for the year ended August 31, 2021.

MILLSAP INDEPENDENT SCHOOL DISTRICT

Audit Corrective Action Plan Year Ended August 31, 2021

- There were no findings in the current year.

MILLSAP INDEPENDENT SCHOOL DISTRICT

Summary Schedule of Prior Audit Findings Year Ended August 31, 2021

There were no findings in the prior year.

MILLSAP INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL
FIRST INDICATORS (UNAUDITED)
FOR THE YEAR ENDED AUGUST 31, 2021

<u>Data Control 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?	No
SF6 Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7 Did the school district 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	\$ 81,858