

MILLSAP INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2018

MILLSAP INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED AUGUST 31, 2018

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MILLSAP INDEPENDENT SCHOOL DISTRICT

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2018**

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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, 2018, at a meeting of the Board of Trustees of such school district on the 17th day of December, 2018.



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

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

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

Independent Auditor's Report on 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, 2018, 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, 2018, 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.

Change in Accounting Principle

As described in Note A to the financial statements, in 2018, Millsap Independent School District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, 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 November 26, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,



Edgin, Parkman, Fleming & Fleming, PC

November 26, 2018

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, 2018. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District implemented GASB 75 during the year which had some dramatic effects on the current year financial statements. Most notably, the prior year net position was adjusted to reflect the beginning of the year OPEB liability. Additionally, due to a large change in the ending OPEB liability, a large decrease in OPEB expenses was recognized as part of the current year operations. Lastly, the non-employer contributing entity (NECE) on-behalf contributions required a negative adjustment to revenue offset by a similar decrease in expenses which caused numerous year over year variance anomalies as described below and throughout the MD&A.
- The District's assets and deferred outflows exceeded its liabilities and deferred inflows at August 31, 2018 by \$387,389 (net position). However, the amount of net position that is unrestricted and may be used to meet the District's obligations has a negative balance of \$221,247 due to GASB 68 and GASB 75 which require the inclusion of pension and OPEB liabilities and related deferred items which reduced the net position by \$4,750,543.
- During the year, the District's net position increased by \$2,676,716 as a result of current operations. The District's expenses, which totaled \$8,746,756, were less than the District's program revenues of (\$58,109) and general revenues of \$11,481,581. The net position also decreased by \$4,678,920 as a result of a required prior period adjustment due to implementation of GASB 75 net of two other unrelated prior period adjustments.
- The total cost of the District's programs decreased \$2,987,619 from last year. The decrease is mainly attributable to a reduction in OPEB expenditures of \$2,526,127 due to current implementation of GASB 75.
- The governmental funds reported a fund balance this year of \$5,673,242, which is an increase of \$564,239 in comparison with the prior year amount.
- At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$2,618,934, or 26% 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			
	2018	2017	Change	% Change
Current and other assets	\$ 1,419,855	\$ 5,769,663	\$ (4,349,808)	-75%
Capital assets, net	20,383,876	20,223,214	160,662	1%
Total Assets	21,803,731	25,992,877	(4,189,146)	-16%
TRS and Refunding Outflows	2,304,166	2,297,578	6,588	100%
Total Deferred Outflows	2,304,166	2,297,578	6,588	100%
Current liabilities	482,477	369,540	112,937	31%
Noncurrent liabilities	26,385,969	25,326,938	1,059,031	4%
Total Liabilities	26,868,446	25,696,478	1,171,968	5%
TRS Related Outflows	1,662,412	204,384	1,458,028	100%
Total Deferred Outflows	1,662,412	204,384	1,458,028	100%
Net position:				
Net investment in capital assets	(609,796)	(1,870,538)	1,260,742	-67%
Restricted	1,218,432	894,121	324,311	36%
Unrestricted	(221,247)	3,366,010	(3,587,257)	-107%
Total Net Assets	\$ 387,389	\$ 2,389,593	\$ (2,002,204)	-84%

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 (\$609,796). 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, \$1,218,432, represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position that may be used to meet the District's ongoing obligations has a negative balance of \$221,247.

Changes in Net Position

The District's total revenues, both program and general, were \$11,423,472. A significant portion, 48%, of the District's revenue comes from property taxes. Unrestricted grants and contributions, which includes state aid formula grants, provided 51% of the revenues and (-6%) 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, 2018 and 2017 for the District's *governmental activities*.

Table 2 - District's Revenues

	Governmental Activities			
	2018	Percent	2017	Percent
Charges for services	\$ 594,517	5%	\$ 397,276	3%
Operating grants and contributions	(652,626)	-6%	851,440	7%
Property taxes	5,445,662	48%	5,217,155	43%
Grants and contributions not restricted	5,804,030	51%	5,582,665	46%
Investment earnings	70,770	1%	37,740	0%
Miscellaneous	161,119	1%	163,085	1%
Total Revenues	\$ 11,423,472	100%	\$ 12,249,361	100%

Exhibited below in Table 3 are the District's expenses for the years ended August 31, 2018 and 2017 for the District's *governmental activities*. The total cost of all programs and services was \$8,746,756. Instructional and related costs totaled 46% of these costs while student support was 19% and nonstudent support was 15%.

Table 3 - District's Expenses

	Governmental Activities			
	2018	Percent	2017	Percent
Instructional & related	\$ 4,111,604	46%	\$ 6,121,483	52%
Leadership	460,350	5%	654,404	6%
Student support	1,622,348	19%	1,978,513	17%
Administrative support	598,948	7%	692,200	6%
Nonstudent support	1,269,258	15%	1,311,827	11%
Other	684,248	8%	975,948	8%
Total Expenses	\$ 8,746,756	100%	\$ 11,734,375	100%

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			
	2018	2017	Change	% Change
Revenues:				
Program revenues:				
Charges for services	\$ 594,517	\$ 397,276	\$ 197,241	50%
Operating and capital grants and contributions	(652,626)	851,440	(1,504,066)	-177%
General revenues:				
Property taxes	5,445,662	5,217,155	228,507	4%
Grants and contributions not restricted	5,804,030	5,582,665	221,365	4%
Investment earnings	70,770	37,740	33,030	88%
Miscellaneous	161,119	163,085	(1,966)	-1%
Total revenues	<u>11,423,472</u>	<u>12,249,361</u>	<u>(825,889)</u>	<u>-7%</u>
Expenses				
Instruction	4,029,441	5,976,804	(1,947,363)	-33%
Instructional resources and media services	30,540	87,667	(57,127)	-65%
Curriculum and staff development	51,623	57,012	(5,389)	-9%
School leadership	460,350	654,404	(194,054)	-30%
Guidance, counseling, and evaluation services	176,556	205,656	(29,100)	-14%
Health services	103,537	109,610	(6,073)	-6%
Student (pupil) transportation	245,612	307,194	(61,582)	-20%
Food services	498,427	591,254	(92,827)	-16%
Cocurricular/extracurricular activities	598,216	764,799	(166,583)	-22%
General administration	598,948	692,200	(93,252)	-13%
Plant maintenance and operations	1,242,371	1,297,725	(55,354)	-4%
Security and monitoring services	13,944	-	13,944	N/A
Data processing services	12,943	14,102	(1,159)	-8%
Interest on long-term debt	504,019	790,059	(286,040)	-36%
Bond issuance costs and fees	6,756	3,256	3,500	107%
Payments related to shared service arrangements	173,473	182,633	(9,160)	-5%
Total expenses	<u>8,746,756</u>	<u>11,734,375</u>	<u>(2,987,619)</u>	<u>-25%</u>
Change in net position	<u>\$ 2,676,716</u>	<u>\$ 514,986</u>	<u>\$ 2,161,730</u>	<u>420%</u>

Significant changes between years are as follows:

- Charges for services increased \$197,241, or 50%, due to changes in allocations and increased campus activity.
- Operating grants and contributions decreased by \$1,504,066, or 177%, mainly due to the implementation of GASB 75 which reduced OPEB on-behalf revenue by \$1,576,793.
- Instruction decreased \$1,947,363, or 33%, mainly due to the implementation of GASB 75 which reduced OPEB expenses by \$1,634,808.
- School leadership decreased \$194,054, or 30%, mainly due to the implementation of GASB 75 which reduced OPEB expenses by \$205,709.
- Interest expense decreased \$286,040, or 36%, due to decreasing debt load and amortization of premiums.

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			
	2018	Percent	2017	Percent
Instructional & related	\$ 4,766,970	54%	\$ 5,631,406	54%
Leadership	556,977	6%	619,022	6%
Student support	973,544	11%	1,328,785	13%
Administrative support	666,651	8%	669,574	6%
Nonstudent support	1,257,956	14%	1,260,924	12%
Other	582,767	7%	975,948	9%
Total Net Costs	\$ 8,804,865	100%	\$ 10,485,659	100%

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, 2018, the District's governmental funds reported a combined ending fund balance of \$5,673,242, an increase of \$564,239 from the previous year. This increase is mainly due to positive operations in the General Fund and tax collections in debt service that exceeded current debt requirements. Table 6 illustrates the fund balances of the governmental funds.

	General Fund	Debt Service	Other Funds	Totals
Restricted for:				
Federal and state grants	\$ -	\$ -	\$ 18,946	\$ 18,946
Debt service	-	1,125,000	-	1,125,000
Committed for:				
Construction	1,811,000	-	-	1,811,000
Assigned:				
Campus funds	-	-	99,362	99,362
Unassigned	2,618,934	-	-	2,618,934
Total Fund Balances	\$ 4,429,934	\$ 1,125,000	\$ 118,308	\$ 5,673,242

General Fund

At the end of the current fiscal year, the ending fund balance for the General Fund was \$4,429,934 of which \$2,618,934 was unassigned. The total fund balance represents 43% of the total General Fund expenditures for the year ended August 31, 2018. The fund balance increased by \$292,389 in the current fiscal year.

General Fund revenues totaled \$10,553,319, an increase of \$393,128, or 4%, from the preceding year. The individual revenue categories that had significant fluctuations are as follows:

- Local revenues increased by \$64,760, or about 1.5%. Increases in property taxes (values) was offset by prior year insurance proceeds.

- State Program Revenues increased by \$310,069, or 5%, due to an increase in state funds related to increased enrollment and attendance.

General Fund expenditures totaled \$10,237,511, an increase of \$581,739, or 6%, from the preceding year. The functional categories that changed the most were as follows:

- Facilities maintenance and operations decreased by \$379,279, or 23%, due to prior year costs related to repairs for weather damage.
- Capital outlay increased \$871,350, or 1,189%, due to the construction of 4 new classrooms.

Debt Service Fund

The Debt Service Fund is fund used to account for general long-term debt principal and interest for debt issues and other long-term debts for which a tax has been dedicated. The total ending fund balance for the Debt Service Fund at August 31, 2018 is \$1,125,000, an increase of \$240,372 over the prior year. Revenues increased \$25,624, or 2%, due to the increase in the EDA allotment. Expenditures remained essentially unchanged from the prior year due to no significant changes in the overall scheduled debt repayments.

Other Governmental Funds

Other governmental funds consist of the various Special Revenue Funds. The total ending fund balance for other governmental funds combined was \$118,308, up from \$73,186 at the end of the prior year. Revenues increased from the prior year by \$58,235, or 6%, and expenditures increased \$19,347, or 2%. Revenue in the NSLP was up on increased participation and campus activity revenue was up on special projects. These increases were offset by a loss in Title I, Part A funding. Expenditures increase is related mainly to expending the special project funds received by the campus activity funds.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget several times. Even with these adjustments, actual expenditures were \$1,071,087 below final budget amounts. There were no individual functional expenditure areas with significant excess budgets except capital outlay where costs came in under budget. Most of the excess budget is the result of conservative budgeting. On the other hand, actual revenues were \$153,412 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. Although the District revised its budget throughout the year, the only individual areas with significant changes were in the functional expenditures areas of student transportation and facilities maintenance and operations. The bus the District ordered was not delivered until after year end and anticipated maintenance projects were not performed as anticipated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of August 31, 2018, the District had invested in a broad range of capital assets totaling \$20,383,876, net of accumulated depreciation, including land, buildings, and furniture and equipment. See Table 7 below.

Table 7 - Capital Assets, Net

	2018	2017	\$ Change	% Change
Land	\$ 947,249	\$ 947,249	\$ -	0%
Buildings and improvements	17,965,034	18,745,241	(780,207)	-4%
Furniture and equipment	464,687	457,442	7,245	2%
Construction in progress	1,006,906	73,282	933,624	1274%
Totals	\$ 20,383,876	\$ 20,223,214	\$ 160,662	1%

Capital assets, net of accumulated depreciation, increased \$160,662 from the previous year due to the addition of 4 new classrooms and other minor additions, less current depreciation expense of \$914,347. Additional information about the District's capital assets is presented in the notes to the financial statements.

Long-term Debt

At August 31, 2018, the District had \$22,397,028 in bonds and tax maintenance notes as shown in Table 8 below.

Table 8 - Long-term Debt

	2018	2017	\$ Change	% Change
General obligations bonds	\$ 19,087,578	\$ 19,608,614	\$ (521,036)	-3%
Tax maintenance notes	1,146,000	1,278,000	(132,000)	-10%
Premiums on bonds	1,699,357	2,034,445	(335,088)	-16%
Accretion	464,093	652,469	(188,376)	-29%
Totals	\$ 22,397,028	\$ 23,573,528	\$ (1,176,500)	-5%

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 2018-19 budget for the General Fund.

- Appraised value used for the 2018-2019 budget preparation is \$380 million, compared to the \$346 million actual appraised values in 2017-2018. This is due to increased development within Millsap ISD boundaries.
- General Fund spending per student will decrease by \$298/student in the 2018-19 budget as compared to 2017-18 fiscal year due to the elementary construction costs not being included in current budget as well as an increase in ADA which lowers the per pupil amount.
- The District's 2018-2019 refined average daily attendance was budgeted at 919 but has been amended to 954 based on current enrollment which is 28 above 2017-2018 fiscal year.

Amounts available for appropriation in the 2018-2019 General Fund's budget are \$10,166,990 which is a 1% decrease from the 2017-2018 actual General Fund expenditures of \$10,237,511.

2018-2019 amended revenues are budgeted at \$10,400,148 which reflect a decrease of \$153,171 from the 2017-2018 actual General Fund revenues of \$10,553,319. The decrease is due to \$106,190 insurance proceeds in 2017-2018 in 2017-2018 as well as the lag in taxes received to state funding.

If these estimates are realized, the District's General Fund's fund balance will decrease by approximately \$92,250 for the bus not received by August 31, 2018 and lockers for the elementary construction project.

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, 2018

Data Control Codes		1
		Governmental Activities
Assets		
1110	Cash and cash equivalents	\$ 687,762
1120	Current investments	4,938,004
1225	Property taxes receivable, net	127,654
1240	Due from other governments	464,596
1250	Accrued interest	3,072
1290	Other receivables	9,117
	Capital assets:	
1510	Land	947,249
1520	Buildings and improvements, net	17,965,034
1530	Furniture and equipment, net	464,687
1580	Construction in progress	1,006,906
1000	Total assets	<u>26,614,081</u>
Deferred outflows of resources		
1701	Deferred loss on refunding	1,403,356
1705	Pension-related outflows	854,518
1706	OPEB-related outflows	46,292
1700	Total deferred outflows of resources	<u>2,304,166</u>
Liabilities		
2110	Accounts payable	80,580
2140	Accrued interest	53,168
2160	Accrued wages payable	310,632
2200	Accrued expenses	6,910
2300	Unearned revenues	31,187
	Noncurrent liabilities:	
2501	Portion due or payable within one year	705,805
2502	Portion due or payable after one year	21,691,223
2540	Net pension liability	1,293,954
2545	Net OPEB liability	2,694,987
2000	Total liabilities	<u>26,868,446</u>
Deferred inflows of resources		
2605	Pension-related inflows	535,094
2606	OPEB-related inflows	1,127,318
2600	Total deferred inflows of resources	<u>1,662,412</u>
Net Position		
3200	Net investment in capital assets	(609,796)
	Restricted for:	
3820	Federal and state programs	18,946
3850	Debt service	1,199,486
3900	Unrestricted	(221,247)
3000	Total net position	<u>\$ 387,389</u>

See accompanying notes to the basic financial statements.

MILLSAP INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	Functions/Programs	1	3	4	6
		Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Operating Grants and Contributions	Governmental Activities
	Governmental activities:				
11	Instruction	\$ 4,029,441	\$ -	\$ (666,201)	\$ (4,695,642)
12	Instructional resources and media services	30,540	-	(4,880)	(35,420)
13	Curriculum and staff development	51,623	-	15,715	(35,908)
23	School leadership	460,350	-	(96,627)	(556,977)
31	Guidance, counseling, & evaluation services	176,556	-	(32,195)	(208,751)
33	Health services	103,537	-	(23,256)	(126,793)
34	Student transportation	245,612	-	(28,488)	(274,100)
35	Food services	498,427	296,460	171,358	(30,609)
36	Cocurricular/extracurricular activities	598,216	298,057	(33,132)	(333,291)
41	General administration	598,948	-	(67,703)	(666,651)
51	Facilities maintenance and operations	1,242,371	-	11,302	(1,231,069)
52	Security and monitoring	13,944	-	-	(13,944)
53	Data processing services	12,943	-	-	(12,943)
72	Interest on long-term debt	504,019	-	101,481	(402,538)
73	Bond issuance costs and fees	6,756	-	-	(6,756)
93	Payments to shared service arrangements	173,473	-	-	(173,473)
TG	Total governmental activities	<u>\$ 8,746,756</u>	<u>\$ 594,517</u>	<u>\$ (652,626)</u>	<u>(8,804,865)</u>
	General revenues:				
MT	Property taxes, levied for general purposes				3,954,006
DT	Property taxes, levied for debt service				1,491,656
SF	State aid - formula grants				5,804,030
IE	Investment earnings				70,770
MI	Miscellaneous				161,119
TR	Total general revenues				<u>11,481,581</u>
CN	Change in net position				<u>2,676,716</u>
NB	Net position - beginning, as originally stated				2,389,593
PA	Prior period adjustment				<u>(4,678,920)</u>
	Net position - beginning, as restated				<u>(2,289,327)</u>
NE	Net position - ending				<u>\$ 387,389</u>

See accompanying notes to the basic financial statements.

MILLSAP INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2018

Data Control Codes		10 General Fund	50 Debt Service Fund
Assets			
1110	Cash and cash equivalents	\$ 476,498	\$ 77,975
1120	Investments - current	3,871,279	1,066,725
1225	Property taxes receivable, net	98,400	29,254
1240	Due from other governments	449,789	-
1250	Accrued interest	2,758	314
1290	Other receivables	6,896	-
1000	Total assets	<u>\$ 4,905,620</u>	<u>\$ 1,174,268</u>
Liabilities			
2110	Accounts payable	\$ 80,580	\$ -
2160	Accrued wages payable	290,637	-
2180	Payable to other governments	-	20,014
2200	Accrued expenditures	6,069	-
2300	Unearned revenue	-	-
2000	Total liabilities	<u>377,286</u>	<u>20,014</u>
Deferred inflows of resources			
2601	Unavailable revenue - property taxes	<u>98,400</u>	<u>29,254</u>
2600	Total deferred inflows of resources	<u>98,400</u>	<u>29,254</u>
Fund balances			
Restricted fund balances:			
3450	Federal or state funds grant restriction	-	-
3480	Retirement of long-term debt	-	1,125,000
Committed fund balance:			
3510	Construction	1,811,000	-
Assigned fund balance:			
3590	Campus activity funds	-	-
3600	Unassigned	<u>2,618,934</u>	<u>-</u>
3000	Total fund balances	<u>4,429,934</u>	<u>1,125,000</u>
4000	Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,905,620</u>	<u>\$ 1,174,268</u>

See accompanying notes to the basic financial statements.

Other Governmental Funds	98 Total Governmental Funds
\$ 133,288	\$ 687,761
-	4,938,004
-	127,654
14,808	464,597
-	3,072
2,221	9,117
<u>\$ 150,317</u>	<u>\$ 6,230,205</u>
\$ -	\$ 80,580
19,995	310,632
-	20,014
841	6,910
11,173	11,173
<u>32,009</u>	<u>429,309</u>
<u>-</u>	<u>127,654</u>
<u>-</u>	<u>127,654</u>
18,946	18,946
-	1,125,000
-	1,811,000
99,362	99,362
-	2,618,934
<u>118,308</u>	<u>5,673,242</u>
<u>\$ 150,317</u>	<u>\$ 6,230,205</u>

MILLSAP INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AUGUST 31, 2018

Data
Control
Codes

	Total fund balances - governmental funds (Exhibit C-1)		\$	5,673,242
	Amounts reported for <i>governmental activities</i> in the Statement of Net Position (Exhibit A-1) are different because:			
	Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. Capital assets at year-end consist of:			
	Gross capital assets	\$	34,530,984	
1	Related accumulated depreciation		<u>14,147,108</u>	20,383,876
	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				127,654
	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		19,087,578	
	Tax maintenance notes		1,146,000	
	Premiums on CIB's		1,699,357	
	Accretion		464,093	
3	Deferred loss on refunding		<u>(1,403,356)</u>	(20,993,672)
	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				(53,168)
	The District's net pension and OPEB liabilities and related deferred outflows and inflows related to its proportionate share of the Teacher Retirement System pension and OPEB plans are not due and payable in the current period and are, therefore, not reported in the governmental funds financial statements. These items consist of:			
	Net pension liability		1,293,954	
	Deferred outflows - pension related items		(854,518)	
	Deferred inflows - pension related items		535,094	
	OPEB liability		2,694,987	
	Deferred outflows - OPEB related items		(46,292)	
5	Deferred inflows - OPEB related items		<u>1,127,318</u>	<u>(4,750,543)</u>
19	Total net position - governmental activities (Exhibit A-1)		\$	<u>387,389</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, 2018**

Data Control Codes		10 General Fund	50 Debt Service Fund
Revenues			
5700	Local and intermediate sources	\$ 4,303,861	\$ 1,540,296
5800	State program revenues	6,061,505	101,481
5900	Federal program revenues	187,953	-
5020	Total revenues	<u>10,553,319</u>	<u>1,641,777</u>
Expenditures			
0011	Instruction	5,113,166	-
0012	Instructional resources and media services	36,289	-
0013	Curriculum and staff development	32,987	-
0023	School leadership	615,768	-
0031	Guidance, counseling, & evaluation services	227,699	-
0033	Health services	134,919	-
0034	Student transportation	319,340	-
0035	Food services	14,855	-
0036	Cocurricular/extracurricular activities	402,770	-
0041	General administration	697,062	-
0051	Facilities maintenance and operations	1,293,904	-
0052	Security and monitoring	12,750	-
0053	Data processing services	11,835	-
0071	Principal on long-term debt	132,000	521,036
0072	Interest on long-term debt	70,162	877,513
0073	Bond issuance costs and fees	3,900	2,856
0081	Capital outlay	944,632	-
0093	Payments to shared service arrangements	173,473	-
6030	Total expenditures	<u>10,237,511</u>	<u>1,401,405</u>
1100	Excess of revenues over (under) expenditures	<u>315,808</u>	<u>240,372</u>
Other Financing Sources (Uses)			
7915	Transfers in	-	-
8911	Transfers out	(23,419)	-
7080	Total other financing sources (uses)	<u>(23,419)</u>	<u>-</u>
1200	Net change in fund balance	<u>292,389</u>	<u>240,372</u>
0100	Fund balances - beginning, as originally reported	4,051,682	884,628
1300	Prior period adjustment	85,863	-
	Fund balances - beginning, as restated	<u>4,137,545</u>	<u>884,628</u>
3000	Fund balances - ending	<u>\$ 4,429,934</u>	<u>\$ 1,125,000</u>

See accompanying notes to the basic financial statements.

Other Governmental Funds	98 Total Governmental Funds
\$ 567,746	\$ 6,411,903
53,345	6,216,331
370,154	558,107
<u>991,245</u>	<u>13,186,341</u>
131,656	5,244,822
-	36,289
15,715	48,702
-	615,768
-	227,699
-	134,919
-	319,340
535,385	550,240
236,007	638,777
-	697,062
64,423	1,358,327
-	12,750
-	11,835
-	653,036
-	947,675
-	6,756
-	944,632
-	173,473
<u>983,186</u>	<u>12,622,102</u>
<u>8,059</u>	<u>564,239</u>
23,419	23,419
-	(23,419)
<u>23,419</u>	<u>-</u>
<u>31,478</u>	<u>564,239</u>
126,265	5,062,575
(39,435)	46,428
<u>86,830</u>	<u>5,109,003</u>
<u>\$ 118,308</u>	<u>\$ 5,673,242</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, 2018**

Net change in fund balances - total governmental funds (Exhibit C-2)		\$	564,239
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	\$	1,075,009	
Depreciation expense for the year		<u>914,347</u>	160,662
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.			(103,702)
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		521,036	
Tax maintenance notes		<u>132,000</u>	653,036
The accretion and amortization of capital appreciation bonds and CIB premiums are only reported in the Statement of Activities.			523,464
Interest is accrued on long-term debt in the government-wide financial statements, whereas interest is reported when due in the governmental fund financial statements. Accrued interest increased by:			(3,388)
Amortization of deferred losses on refundings is only reported on the government-wide financial statements. Current amortization is:			(76,420)
The District participates in a defined benefit pension plan. Contributions to the plan are expenditures at the fund level when payments are due. At the government-wide level, pension expenses are recognized on an actuarial basis. Payments were more than the actuarial expense in the current year.			9,491
The District participates in an OPEB plan through TRS. Contributions to the plan are expenditures at the fund level when payments are due. At the government-wide level, OPEB expenses are recognized on an actuarial basis. Payments were more than the actuarial expense in the current year.			<u>949,334</u>
Change in net position of governmental activities (Exhibit B-1)		\$	<u>2,676,716</u>

See accompanying notes to the basic financial statements.

MILLSAP INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
AUGUST 31, 2018

Data Control Codes		Agency Funds	Fiduciary Component Unit
		Student Activity	Millsap Education Foundation
	Assets		
1110	Cash and cash equivalents	\$ 41,054	\$ -
1810	Restricted assets	-	144,933
1000	Total assets	<u>\$ 41,054</u>	<u>144,933</u>
	Liabilities		
	Current Liabilities:		
2190	Due to student groups	\$ 41,054	-
2000	Total liabilities	<u>\$ 41,054</u>	<u>-</u>
	Net Position		
3800	Restricted for scholarships		144,933
3000	Total net position		<u>\$ 144,933</u>

See accompanying notes to the basic financial statements.

MILLSAP INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
AUGUST 31, 2018

	Fiduciary Component Unit
	Millsap Education Foundation
Additions	
Investment Income	\$ 3,039
Contributions	29,655
Total additions	<u>32,694</u>
Deductions	
Scholarships paid	50,000
Other expenses	2,820
Total deductions	<u>52,820</u>
Change in net position	(20,126)
Net position, beginning	165,059
Net position, ending	<u>\$ 144,933</u>

See accompanying notes to the basic financial statements.

MILLSAP INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

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, 2018

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

In addition, the District reports the following fund types:

Governmental Funds:

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

Fiduciary Funds:

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

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

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

b. Measurement Focus, Basis of Accounting

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

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

MILLSAP INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

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, 2018, net property taxes receivable is calculated as follows:

Gross property taxes receivable	\$245,121
Allowance for uncollectible taxes	(117,467)
Net property taxes receivable	<u>\$127,654</u>

d. Inventories and Prepaid Items

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

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

MILLSAP INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

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 \$245,121 gross property tax receivable at August 31, 2018, the District expects to collect approximately \$100,000 in the upcoming year.

g. Deferred Outflows/Inflows of Resources

Deferred outflows of resources refers to the consumption of net assets that are applicable to a future reporting period. Deferred outflows of resources has a positive effect on net position, similar to assets. Notwithstanding the similarities, Concepts Statement 5 clearly establishes that deferred outflows of resources are not assets. The deferred outflows of resources reported for the year ended August 31, 2018 at the government-wide level are related to pension and OPEB plans and deferred losses on bond refunding.

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

h. Interfund Activity

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

MILLSAP INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2018

i. Use of Estimates

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

j. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

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

k. Net Position Flow Assumption

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

MILLSAP INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

l. Fund Balance Flow Assumption

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

m. New Accounting Standard Adopted

In fiscal year 2018, the District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions (other post-employment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

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.

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.

MILLSAP INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2018

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, 2018.

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, 2018, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$2,129,282 and the bank balance was \$2,230,985. The District's cash deposits at August 31, 2018, and during the year ended August 31, 2018, 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, 2018, the Foundation maintained \$22,150 of deposits that were fully-insured by FDIC.

2. Investments:

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

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

MILLSAP INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

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, 2018, are shown below.

<u>Investment or Investment Type</u>	<u>Weighted Maturity (Months)</u>	<u>Fair Value</u>
TexPool Prime	2	\$3,537,538
Certificates of Deposit	24	<u>1,400,466</u>
Total		<u>\$4,938,004</u>

The Foundation's investments at August 31, 2018 are shown below:

<u>Investment or Investment Type</u>	<u>Weighted Maturity (Days)</u>	<u>Fair Value</u>
Certificate of Deposit	90	<u>\$122,782</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.

Public Funds Investment Pools

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

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

MILLSAP INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

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

There are no balances due to and due from other funds at August 31, 2018.

2. Transfers To and From Other Funds

Transfers to and from other funds for the year ended August 31, 2018 consisted of the following:

<u>Transfers To</u>	<u>Transfers From</u>	<u>Amount</u>	<u>Purpose</u>
Other Governmental Funds	General Fund	<u>\$23,419</u>	Supplement operating deficits

MILLSAP INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

E. Capital Assets

Capital asset activity for the year ended August 31, 2018 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>73,282</u>	<u>933,624</u>	<u>-</u>	<u>1,006,906</u>
Total capital assets not being depreciated	<u>1,020,531</u>	<u>933,624</u>	<u>-</u>	<u>1,954,155</u>
Capital assets being depreciated:				
Buildings and improvements	<u>30,850,236</u>	<u>55,735</u>	<u>-</u>	<u>30,905,971</u>
Furniture and equipment	<u>1,635,866</u>	<u>85,650</u>	<u>50,658</u>	<u>1,670,858</u>
Total capital assets being depreciated	<u>32,486,102</u>	<u>141,385</u>	<u>50,658</u>	<u>32,576,829</u>
Less accumulated depreciation for:				
Buildings and improvements	<u>12,106,876</u>	<u>834,061</u>	<u>-</u>	<u>12,940,937</u>
Furniture and equipment	<u>1,176,543</u>	<u>80,286</u>	<u>50,658</u>	<u>1,206,171</u>
Total accumulated depreciation	<u>13,283,419</u>	<u>914,347</u>	<u>50,658</u>	<u>14,147,108</u>
Total capital assets being depreciated, net	<u>19,202,683</u>	<u>(772,962)</u>	<u>-</u>	<u>18,429,721</u>
Governmental activities capital assets, net	<u>\$20,223,214</u>	<u>\$160,662</u>	<u>\$ -</u>	<u>\$20,383,876</u>

Depreciation expense was charged to functions as follows:

<u>Governmental activities:</u>	
Instruction	\$490,057
Instructional Resources and Media Services	3,398
Curriculum and Staff Development	4,560
School Leadership	57,651
Guidance, Counseling, & Evaluation Services	21,318
Health Services	12,632
Student Transportation	25,757
Food Services	51,516
Extracurricular Activities	58,432
General Administration	65,262
Facilities Maintenance and Operations	121,462
Security and Monitoring Services	1,194
Data Processing Services	<u>1,108</u>
Total governmental depreciation	<u>\$914,347</u>

F. Long-term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2018, are as follows:

MILLSAP INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental Activities:</u>					
General Obligation Bonds	\$19,608,614	\$ -	\$ 521,036	\$19,087,578	\$566,805
Tax Maintenance Notes	1,278,000	-	132,000	1,146,000	139,000
Premiums collected on CIBs	2,034,445	-	335,088	1,699,357	-
Accretion	652,469	3,900	192,276	464,093	-
Total governmental activities	<u>\$23,573,528</u>	<u>\$ 3,900</u>	<u>\$1,180,400</u>	<u>\$22,397,028</u>	<u>\$705,805</u>

2. General Obligation Bonds and Tax Maintenance Note

Unlimited Tax School Building Bonds, Series 2008

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

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

Tax Maintenance Notes, Series 2010

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

Unlimited Tax Refunding Bonds, Series 2011

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

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

Unlimited Tax Refunding Bonds, Series 2014

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

MILLSAP INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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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.

Unlimited Tax Refunding Bonds, Series 2014-A

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

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

Unlimited Tax Refunding Bonds, Series 2015

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

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, 2018, is as follows:

MILLSAP INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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	Amounts Outstanding <u>9/1/17</u>	<u>Issued</u>	<u>Retired</u>	Amounts Outstanding <u>8/31/18</u>	Amounts Due Within <u>One Year</u>
Unlimited Tax School Building Bonds, Series 2008:					
Capital Appreciation Bonds	\$ 27,154	\$ -	\$ 11,425	\$ 15,729	\$ 8,859
Unlimited Tax Refunding Bonds, Series 2011:					
Current Interest Bonds	1,110,000	-	120,000	990,000	125,000
Unlimited Tax Refunding Bonds, Series 2014:					
Current Interest Bonds	3,330,000	-	270,000	3,060,000	375,000
Unlimited Tax Refunding Bonds, Series 2014-A:					
Capital Appreciation Bonds	64,903	-	-	64,903	-
Current Interest Bonds	4,775,000	-	-	4,775,000	-
Unlimited Tax Refunding Bonds, Series 2015:					
Capital Appreciation Bonds	137,557	-	99,611	37,946	37,946
Current Interest Bonds	7,880,000	-	-	7,880,000	-
Unlimited Tax Refunding Bonds, Series 2016:					
Capital Appreciation Bonds	59,000	-	-	59,000	-
Current Interest Bonds	<u>2,225,000</u>	<u>-</u>	<u>20,000</u>	<u>2,205,000</u>	<u>20,000</u>
Total general obligation bonds	<u>19,608,614</u>	<u>-</u>	<u>521,036</u>	<u>19,087,578</u>	<u>566,805</u>
Maintenance Tax Notes, Series 2010	<u>1,278,000</u>	<u>-</u>	<u>132,000</u>	<u>1,146,000</u>	<u>139,000</u>
Total	<u>\$20,886,614</u>	<u>\$ -</u>	<u>\$653,036</u>	<u>\$20,233,578</u>	<u>\$705,805</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, 2018 are as follows:

<u>Year Ending August 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 705,805	\$ 910,911	\$ 1,616,716
2020	767,870	866,414	1,634,284
2021	801,069	880,100	1,681,169
2022	934,834	775,743	1,710,577
2023	1,047,000	656,503	1,703,503
2024-2028	5,287,000	2,640,384	7,927,384
2029-2033	5,575,000	1,578,900	7,153,900
2034-2037	<u>5,115,000</u>	<u>419,100</u>	<u>5,534,100</u>
Totals	<u>\$20,233,578</u>	<u>\$8,728,055</u>	<u>\$28,961,633</u>

MILLSAP INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2018

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 2018, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

H. Defined Benefit Pension Plan

1. Plan Description

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

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

2. Pension Plan Fiduciary Net Position

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

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.

MILLSAP INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2018

4. Contributions

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 84th Texas Legislature, General Appropriations Act established the employer contribution rates for fiscal years 2016 and 2017.

Contribution rates for the Plan fiscal years (September through August) 2017 and 2018 follow:

	Contribution Rates for	
	Plan Fiscal Year:	
	2017	2018
Members (Employees)	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employer (District)	6.8%	6.8%

Contributions for the Plan fiscal year 2017 follow:

Members (Employees)	\$431,749
Non-Employer Contributing Entity (State)	\$323,940
Employer (District)	\$132,631

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.

MILLSAP INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

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

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

5. Actuarial Assumptions

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

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term Expected Investment Rate of Return	8.00%
Inflation	2.50%
Salary Increases Including Inflation	3.50% to 9.50%
Payroll Growth Rate	2.50%
Benefit Changes During the Year	None
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are based primarily on a study of actual experience for the four year period ending August 31, 2014 and adopted on September 24, 2015.

6. Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous fiscal year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investments is 8.0%. 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 weighing 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, 2017 are summarized as follows:

MILLSAP INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Geometric Real Rate of Return</u>	<u>Expected Contribution to Long-term Portfolio Returns *</u>
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation	0%	0%	2.2%
Alpha	<u>0%</u>	<u>0%</u>	<u>1.0%</u>
Total	<u>100%</u>		<u>8.7%</u>

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

7. Discount Rate Sensitivity Analysis

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

	<u>1% Decrease 7%</u>	<u>Current Discount Rate 8%</u>	<u>1% Increase 9%</u>
District's proportionate share of the net pension liability	<u>\$2,181,347</u>	<u>\$1,293,954</u>	<u>\$555,051</u>

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

At August 31, 2018, the District reported a liability of \$1,293,954 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for the State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

MILLSAP INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

District's proportionate share of the collective net pension liability	\$1,293,954
State's proportionate share that is associated with the District	<u>3,167,018</u>
Total	<u>\$4,460,972</u>

The net pension liability was measured as of August 31, 2017, 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, 2016 through August 31, 2017.

At August 31, 2017, the District's proportion of the collective net pension liability was 0.00404681%, which was a decrease of .00004615% from its proportion measured as of August 31, 2016.

Changes Since the Prior Actuarial Valuation

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

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

For the year ended August 31, 2018, the District recognized pension expense of \$241,567 and revenue of \$323,940 for support provided by the State.

At August 31, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Differences between expected and actual economic experience	\$ 18,931	\$ 69,781
Changes in actuarial assumptions	58,942	33,743
Difference between projected and actual investment earnings	198,995	293,296
Changes in proportion and difference between the District contributions and the proportionate share of contributions	432,266	138,274
Contributions paid to TRS subsequent to the measurement date	<u>145,384</u>	<u>-</u>
Total	<u>\$854,518</u>	<u>\$535,094</u>

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

<u>Year Ended August 31</u>	<u>Pension Exp. Amount</u>
2019	\$ 38,635
2020	121,231
2021	32,288
2022	4,999
2023	(3,892)
Thereafter	(19,221)

MILLSAP INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2018

I. Defined Other Post-Employment Benefit Plans

1. Plan Description

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

2. OPEB Plan Fiduciary Net Position

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

3. Benefits Provided

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

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for the average retiree with Medicare Parts A&B coverage, with 20 to 29 years of service for the basic plan and the two optional plans.

TRS-Care Plan Premium Rates			
Effective September 1, 2016 – December 31, 2017			
	TRS-Care 1 <u>Basic Plan</u>	TRS-Care 2 <u>Optional Plan</u>	TRS-Care 3 <u>Optional Plan</u>
Retiree *	\$ 0	\$ 70	\$100
Retiree and Spouse	20	175	255
Retiree * and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children only	28	62	82

* or surviving spouse

4. Contributions

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

MILLSAP INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2018

Texas Insurance Code, Section 1575.202 establishes the state's contribution rate which is 1.0% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than .25% or not more than .75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates

	<u>2017</u>	<u>2018</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.00%	1.25%
Employers (District)	0.55%	0.75%
Federal/private funding remitted by Employers	1.00%	1.25%
2017 Employer Contributions	\$32,220	
2017 Member Contributions	\$36,445	
2017 NECE On-behalf Contributions	\$54,392	

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$15.6 million in fiscal year 2017 and \$182.6 million in fiscal year 2018.

5. Actuarial Assumptions

The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including mortality, and most of the economic assumptions are identical to those which were adopted by the Board in 2015 and are based on the 2014 actuarial experience study of TRS.

The active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates were based on the 2015 TRS of Texas Healthy Pensioner Mortality Tables.

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

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Discount Rate	3.42%
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.

MILLSAP INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2018

Payroll Growth Rate	2.50%
Projected Salary Increases	3.50% to 9.50%
Healthcare Trend Rates	4.50% to 12.00%
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad hoc post-employment benefit changes	None

Other Information:

There was a significant plan change adopted in fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will be offered and all retirees will be required to contribute monthly premiums for coverage. Assumption changes made for the August 31, 2017 valuation include a change to the assumption regarding the phase-out of the Medicare Part D subsidies and a change to the discount rate from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017.

6. Discount Rate

A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of .44% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was fixed-income 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" as of August 31, 2017.

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.42%) in measuring the net OPEB liability.

	1% Decrease <u>2.42%</u>	Current Discount Rate <u>3.42%</u>	1% Increase <u>4.42%</u>
District's proportionate share of the net OPEB liability	<u>\$3,180,753</u>	<u>\$2,694,987</u>	<u>\$2,304,540</u>

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

	1% Decrease <u>2.42%</u>	Current Discount Rate <u>3.42%</u>	1% Increase <u>4.42%</u>
District's proportionate share of the current healthcare cost trend rate	<u>\$2,243,846</u>	<u>\$2,694,987</u>	<u>\$3,286,941</u>

MILLSAP INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2018

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

At August 31, 2018, the District reported a liability of \$2,694,987 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	\$2,694,987
State's proportionate share that is associated with the District	<u>4,549,552</u>
Total	<u>\$7,244,539</u>

The net OPEB liability was measured as of August 31, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2016 through August 31, 2017.

At August 31, 2017, the District's proportion of the collective net OPEB liability was 0.0061973323%, which was the same proportion measured as of August 31, 2016.

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:

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

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

For the year ended August 31, 2018, the District recognized OPEB expense of (\$1,522,401) and revenue of \$54,392 for support provided by the State.

At August 31, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

MILLSAP INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Differences between expected and actual economic experience	\$ -	\$ 56,260
Changes in actuarial assumptions	-	1,071,058
Difference between projected and actual investment earnings	409	-
Changes in proportion and difference between District contributions and proportionate share of contributions	12	-
Contributions paid to TRS subsequent to the measurement date	<u>45,871</u>	<u>-</u>
Total	<u>\$46,292</u>	<u>\$1,127,318</u>

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

Plan Year Ended <u>August 31</u>	<u>OPEB Exp. Amount</u>
2019	\$148,695
2020	148,695
2021	148,695
2022	148,695
2023	148,797
Thereafter	383,320

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, 2018.

3. Operating Leases

The District has no significant operating leases as of August 31, 2018.

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

MILLSAP INDEPENDENT SCHOOL DISTRICT

*NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018*

provides SSA services. The member districts provide the funds to the fiscal agent. The Shared Services Arrangements – Special Education has been accounted for using Model 3 in the SSA section of the TEA Resource Guide. The District has accounted for the payments to the fiscal agent of the SSA in the General Fund as intergovernmental expenditures. The District's expenditures to the SSA for the current year totaled \$173,473.

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. Prior Period Adjustment

For fiscal year ended August 31, 2018, the District implemented GASB Statement No. 75. As a result, a prior period adjustment to the beginning net position for governmental activities for post-employment benefits other than pensions (OPEB) is required. Furthermore, management made an adjustment to the previous fund balance of the governmental funds. The \$39,435 in fund balance in the Textbook Fund was reclassified effective September 1, 2017 as unearned revenue. The \$85,863 relates to recognition of excess payments made to the Special-Ed Shared Service Arrangement fiscal agent that are being held at August 31, 2017 for future use. A summary of the above is as follows:

	Government-Wide Statement of Activities	Statement of Revenue, Expenditures and <u>Changes in Fund Balance</u>	
		General Fund	Other
Net position or fund balance as previously reported	\$2,389,593	\$4,051,682	\$126,265
August 31, 2017 deferred outflows for GASB 75 related to contributions after measurement date	32,517	-	-
August 31, 2016 OPEB liability reflected at August 31, 2017	(4,757,865)	-	-
Reclassified fund balance to unearned revenue	(39,435)	-	(39,435)
Recognition of excess SSA payments through August 31, 2017	<u>85,863</u>	<u>85,863</u>	<u>-</u>
Net position or fund balance as restated	<u>(\$2,289,327)</u>	<u>\$4,137,545</u>	<u>\$ 86,830</u>

M. Statement of Activities Negative Operating Grants

With the implementation of GASB 75, the District is required to report on-behalf contributions at the government-wide level for their proportion of the change in OPEB liability and deferred balances recognized by the State of Texas on-behalf of the District. As described in Note I, the current year OPEB expense recognized by the State of Texas was a negative \$1,522,401 and the actual on-behalf payments were \$54,392. Therefore, \$1,576,793 in negative operating grants and contributions is recognized at the government-wide level. As a result of this negative amount, the Statement of Activities reflects overall operating grants and contributions of (\$652,626). Had this adjustment not been required, the Statement of Activities would have shown \$924,167 in program revenue for operating grants and contributions for the year ended August 31, 2018.

REQUIRED SUPPLEMENTARY INFORMATION

MILLSAP INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes		Budgeted Amounts			Variance With Final Budget - Positive (Negative)
		Original	Final	Actual	
	Revenues:				
5700	Local and intermediate sources	\$ 4,112,690	\$ 4,231,880	\$ 4,303,861	\$ 71,981
5800	State program revenues	5,842,356	5,982,356	6,061,505	79,149
5900	Federal program revenues	140,486	185,671	187,953	2,282
5020	Total revenues	10,095,532	10,399,907	10,553,319	153,412
	Expenditures:				
	Instruction & instructional related services:				
0011	Instruction	5,327,267	5,288,271	5,113,166	175,105
0012	Instructional resources and media services	75,048	72,048	36,289	35,759
0013	Curriculum and staff development	47,825	63,174	32,987	30,187
	Total instruction and instructional related services	5,450,140	5,423,493	5,182,442	241,051
	Instructional and school leadership:				
0023	School leadership	647,371	649,371	615,768	33,603
	Total instructional and school leadership	647,371	649,371	615,768	33,603
	Support services - student (pupil):				
0031	Guidance, counseling and evaluation services	243,395	243,395	227,699	15,696
0033	Health services	136,067	136,067	134,919	1,148
0034	Student transportation	335,651	455,651	319,340	136,311
0035	Food services	16,300	16,300	14,855	1,445
0036	Cocurricular/extracurricular activities	492,243	493,743	402,770	90,973
	Total support services - student (pupil)	1,223,656	1,345,156	1,099,583	245,573
	Administrative support services:				
0041	General administration	778,313	793,313	697,062	96,251
	Total administrative support services	778,313	793,313	697,062	96,251
	Support services - nonstudent based:				
0051	Facilities maintenance and operations	1,295,019	1,456,041	1,293,904	162,137
0052	Security and monitoring services	2,000	17,000	12,750	4,250
0053	Data processing services	14,751	16,251	11,835	4,416
	Total support services - nonstudent based	1,311,770	1,489,292	1,318,489	170,803
	Debt service:				
0071	Principal on long-term debt	132,000	132,000	132,000	-
0072	Interest on long-term debt	70,163	70,163	70,162	1
0071	Bond issuance costs and fees	6,500	6,500	3,900	2,600
	Total debt service	208,663	208,663	206,062	2,601
	Capital outlay				
0081	Capital outlay	1,205,010	1,205,010	944,632	260,378
	Total capital outlay	1,205,010	1,205,010	944,632	260,378
	Intergovernmental charges:				
0093	Payments to SSAs	194,300	194,300	173,473	20,827
	Total intergovernmental charges	194,300	194,300	173,473	20,827
6030	Total expenditures	11,019,223	11,308,598	10,237,511	1,071,087

MILLSAP INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes		Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
		Original	Final		
1100	Excess of revenues over (under) expenditures	(923,691)	(908,691)	315,808	1,224,499
	Other financing uses:				
8911	Transfers out	(25,000)	(40,000)	(23,419)	16,581
7080	Total other financing uses	(25,000)	(40,000)	(23,419)	16,581
1200	Net change in fund balance	(948,691)	(948,691)	292,389	1,241,080
0100	Fund balance - beginning, as originally stated	4,051,682	4,051,682	4,051,682	-
1300	Prior period adjustment	-	-	85,863	85,863
	Fund balance - beginning, as restated	4,051,682	4,051,682	4,137,545	85,863
3000	Fund balance - ending	<u>\$ 3,102,991</u>	<u>\$ 3,102,991</u>	<u>\$ 4,429,934</u>	<u>\$ 1,326,943</u>

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, 2018

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

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

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

MILLSAP INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PENSION CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
YEAR ENDED AUGUST 31, 2018

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

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

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

MILLSAP INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OTHER POST EMPLOYMENT BENEFIT (OPEB) LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
YEAR ENDED AUGUST 31, 2018

	<u>2018</u>
District's proportion of the net OPEB liability	<u>0.0061973323%</u>
District's proportionate share of the net OPEB liability	\$ 2,694,987
State's proportionate share of the net OPEB liability associated with the District	<u>4,549,552</u>
Total	<u>\$ 7,244,539</u>
District's covered payroll	<u>\$ 5,607,135</u>
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	<u>48.06%</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<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 Statement 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, 2018

	<u>2018</u>
Contractually required contribution	\$ 45,871
Contributions in relation to the contractually required contribution	<u>(45,871)</u>
Contribution deficiency	<u>\$ -</u>
District's covered payroll	<u>\$ 4,988,621</u>
Contributions as a percentage of covered payroll	<u>0.92%</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, 2018

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, 2017. 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.

MILLSAP INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2018

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.

2. Changes of Assumptions

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

C. OPEB Plan

1. Change of Benefit Terms

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

2. Changes of Assumptions

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

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

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

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

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

NONMAJOR GOVERNMENTAL FUNDS COMBINING STATEMENTS

MILLSAP INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2018

Data Control Codes		211 ESEA Title I Improving Basic Programs	225 Preschool IDEA - Part B	240 National School Breakfast/Lunch Program
Assets				
1110	Cash and cash equivalents	\$ 5,767	\$ -	\$ 16,986
1240	Due from other governments	-	-	14,808
1290	Other receivables	-	-	2,221
1000	Total assets	<u>\$ 5,767</u>	<u>\$ -</u>	<u>\$ 34,015</u>
Liabilities				
2160	Accrued wages payable	\$ 5,235	\$ -	\$ 14,760
2200	Accrued expenditures	532	-	309
2300	Unearned revenue	-	-	-
2000	Total liabilities	<u>5,767</u>	<u>-</u>	<u>15,069</u>
Fund balances				
Restricted fund balance:				
3450	Federal or state funds grant restriction	-	-	18,946
Assigned fund balance:				
3590	Campus activity funds	-	-	-
3000	Total fund balances	<u>-</u>	<u>-</u>	<u>18,946</u>
4000	Total liabilities and fund balances	<u>\$ 5,767</u>	<u>\$ -</u>	<u>\$ 34,015</u>

244 Career and Technical - Basic Grant	255 ESEA II, A Training and Recruiting	289 Title IV Part A Subpart 1	397 Advanced Placement Initiatives	410 State Textbook Fund	461 Campus Activity Funds	Total Nonmajor Governmental Funds (See Exhibit C-1)
\$ -	\$ -	\$ -	\$ -	\$ 11,173	\$ 99,362	\$ 133,288
-	-	-	-	-	-	14,808
-	-	-	-	-	-	2,221
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,173</u>	<u>\$ 99,362</u>	<u>\$ 150,317</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,995
-	-	-	-	-	-	841
-	-	-	-	11,173	-	11,173
-	-	-	-	11,173	-	32,009
-	-	-	-	-	-	18,946
-	-	-	-	-	99,362	99,362
-	-	-	-	-	99,362	118,308
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,173</u>	<u>\$ 99,362</u>	<u>\$ 150,317</u>

MILLSAP INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes		211 ESEA Title I Improving Basic Programs	225 IDEA - Part B Preschool	240 National School Breakfast/Lunch Program
	Revenues			
5700	Local and intermediate sources	\$ -	\$ -	\$ 299,369
5800	State program revenues	-	-	2,584
5900	Federal program revenues	<u>67,517</u>	<u>1,854</u>	<u>275,794</u>
5020	Total revenues	<u>67,517</u>	<u>1,854</u>	<u>577,747</u>
	Expenditures			
0011	Instruction	67,517	1,854	-
0013	Curriculum and staff development	-	-	-
0035	Food services	-	-	535,385
0036	Cocurricular/extracurricular activities	-	-	-
0051	Facilities maintenance and operations	-	-	64,423
6030	Total expenditures	<u>67,517</u>	<u>1,854</u>	<u>599,808</u>
1100	Excess of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(22,061)</u>
	Other Financing Sources			
7915	Transfers in	<u>-</u>	<u>-</u>	<u>23,419</u>
7080	Total other financing sources	<u>-</u>	<u>-</u>	<u>23,419</u>
1200	Net change in fund balance	<u>-</u>	<u>-</u>	<u>1,358</u>
0100	Fund balances - beginning, as originally reported	-	-	17,588
	Prior period adjustments	-	-	-
	Fund balances - beginning, as restated	<u>-</u>	<u>-</u>	<u>17,588</u>
3000	Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,946</u>

244 Career and Technical - Basic Grant	255 ESEA II, A Training and Recruiting	289 Title IV Part A Subpart 1	397 Advanced Placement Initiatives	410 State Textbook Fund	461 Campus Activity Funds	Total Nonmajor Governmental Funds (See Exhibit C-2)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 268,377	\$ 567,746
-	-	-	570	50,191	-	53,345
2,094	12,895	10,000	-	-	-	370,154
<u>2,094</u>	<u>12,895</u>	<u>10,000</u>	<u>570</u>	<u>50,191</u>	<u>268,377</u>	<u>991,245</u>
2,094	-	10,000	-	50,191	-	131,656
-	12,895	-	2,820	-	-	15,715
-	-	-	-	-	-	535,385
-	-	-	-	-	236,007	236,007
-	-	-	-	-	-	64,423
<u>2,094</u>	<u>12,895</u>	<u>10,000</u>	<u>2,820</u>	<u>50,191</u>	<u>236,007</u>	<u>983,186</u>
-	-	-	(2,250)	-	32,370	8,059
-	-	-	-	-	-	23,419
-	-	-	-	-	-	23,419
-	-	-	(2,250)	-	32,370	31,478
-	-	-	2,250	39,435	66,992	126,265
-	-	-	-	(39,435)	-	(39,435)
-	-	-	2,250	-	66,992	86,830
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 99,362</u>	<u>\$ 118,308</u>

OTHER SUPPLEMENTARY INFORMATION SECTION

**MILLSAP INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2018**

Fiscal Year Ending August 31,	1		2	3
	Tax Rates		Debt Service	Assessed/Appraised Value for School Tax Purposes
	Maintenance			
2009 and Prior Years	\$ Various		\$ Various	\$ Various
2010	1.0400		0.4950	285,608,274
2011	1.1700		0.4950	290,866,726
2012	1.1700		0.4950	272,555,195
2013	1.1700		0.4950	277,989,806
2014	1.1700		0.4950	277,941,765
2015	1.1700		0.4950	290,199,996
2016	1.1700		0.4950	297,033,052
2017	1.1700		0.4950	304,509,279
2018 (School year under audit)	1.1700		0.4422	336,711,202
1000 Totals				

10 Beginning Balance 9/1/2017	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/2018
\$ 52,507	\$ -	\$ 62	\$ 20	\$ (428)	\$ 51,997
6,936	-	147	70	(116)	6,603
7,109	-	81	34	(16)	6,978
7,263	-	140	59	(16)	7,048
25,963	-	1,843	780	(16)	23,324
28,917	-	3,088	1,307	477	24,999
28,037	-	11,848	5,013	3,081	14,257
37,722	-	15,281	6,465	244	16,220
114,021	-	48,753	33,714	(5,762)	25,792
-	5,428,458	3,869,988	1,462,657	(27,910)	67,903
\$ 308,475	\$ 5,428,458	\$ 3,951,231	\$ 1,510,119	\$ (30,462)	\$ 245,121

**MILLSAP INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL LUNCH AND BREAKFAST PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2018**

Data Control Codes		Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
		Original	Final		
	Revenues:				
5700	Local and intermediate sources	\$ 275,610	\$ 275,610	\$ 299,369	\$ 23,759
5800	State program revenues	2,100	2,100	2,584	484
5900	Federal program revenues	275,335	283,335	275,794	(7,541)
5020	Total revenues	553,045	561,045	577,747	16,702
	Expenditures:				
	Current:				
	Support services - student (pupil):				
0035	Food services	532,045	535,620	535,385	235
	Total support services - student (pupil)	532,045	535,620	535,385	235
	Support services - nonstudent based:				
0051	Plant maintenance and operations	46,000	65,425	64,423	1,002
	Total support services - nonstudent based	46,000	65,425	64,423	1,002
6030	Total expenditures	578,045	601,045	599,808	1,237
1100	Excess of revenues over (under) expenditures	(25,000)	(40,000)	(22,061)	17,939
	Other financing sources:				
7915	Transfers in	25,000	40,000	23,419	(16,581)
7080	Total other financing sources	25,000	40,000	23,419	(16,581)
1200	Net change in fund balance	-	-	1,358	1,358
0100	Fund balance - beginning	17,588	17,588	17,588	-
3000	Fund balance - ending	\$ 17,588	\$ 17,588	\$ 18,946	\$ 1,358

MILLSAP INDEPENDENT SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes		Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
		Original	Final		
	Revenues:				
5700	Local and intermediate sources	\$ 1,519,802	\$ 1,519,802	\$ 1,540,296	\$ 20,494
5800	State program revenues	52,974	52,974	101,481	48,507
5020	Total revenues	<u>1,572,776</u>	<u>1,572,776</u>	<u>1,641,777</u>	<u>69,001</u>
	Expenditures:				
	Debt service:				
0071	Principal on long-term debt	521,039	521,039	521,036	3
0072	Interest on long-term debt	877,515	877,515	877,513	2
0073	Bond issuance costs and fees	174,222	174,222	2,856	171,366
	Total debt service	<u>1,572,776</u>	<u>1,572,776</u>	<u>1,401,405</u>	<u>171,371</u>
6030	Total expenditures	<u>1,572,776</u>	<u>1,572,776</u>	<u>1,401,405</u>	<u>171,371</u>
1100	Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>240,372</u>	<u>240,372</u>
1200	Net change in fund balance	<u>-</u>	<u>-</u>	<u>240,372</u>	<u>240,372</u>
0100	Fund balance - beginning	<u>884,628</u>	<u>884,628</u>	<u>884,628</u>	<u>-</u>
3000	Fund balance - ending	<u>\$ 884,628</u>	<u>\$ 884,628</u>	<u>\$ 1,125,000</u>	<u>\$ 240,372</u>



EDGIN, PARKMAN, FLEMING & FLEMING, PC

CERTIFIED PUBLIC ACCOUNTANTS

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

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

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

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

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Millsap Independent School District (District) as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 26, 2018.

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

November 26, 2018

MILLSAP INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED AUGUST 31, 2018

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, 2018.

B. Financial Statement Findings

None

C. Federal Award Findings and Questioned Costs

A Single Audit was not required for the year ended August 31, 2018.

MILLSAP INDEPENDENT SCHOOL DISTRICT

Audit Corrective Action Plan Year Ended August 31, 2018

There were no findings in the current year.

MILLSAP INDEPENDENT SCHOOL DISTRICT

Summary Schedule of Prior Audit Findings Year Ended August 31, 2018

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, 2018

<u>Data Control Codes</u>	<u>Responses</u>
SF2 Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF4 Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5 Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6 Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state, or federal funds?	No
SF7 Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other governmental agencies?	Yes
SF8 Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10 What was the total accumulated accretion on capital appreciation bonds (CABs) included in government-wide financial statements at fiscal year-end?	\$ 464,093
SF11 Net Pension Assets (object 1920) at fiscal year-end.	\$ -
SF12 Net Pension Liabilities (object 2540) at fiscal year-end.	\$ 1,293,954
SF13 Pension Expense (object 6147) at fiscal year-end	\$ -