

**MILLSAP**  
**INDEPENDENT SCHOOL DISTRICT**  
**PARKER COUNTY, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED AUGUST 31, 2016**

**MILLSAP INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2016**

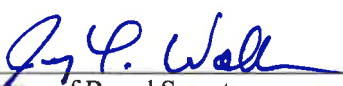
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**CERTIFICATE OF BOARD**

<b>Millsap</b> <b>Independent School District</b> _____ Name of School District	<b>Parker</b> _____ County	<b>184-904</b> _____ County – District Number
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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, 2016**, at a meeting of the Board of Trustees of such school district on the **14th** day of **November, 2016**.

  
\_\_\_\_\_  
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)

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# James E. Rodgers and Company, P.C.

**Certified Public Accountants**

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Member of Texas Society of CPA's and American Institute of CPA's

Richard E. Rodgers CPA • Gerald L. Rodgers CPA

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November 14, 2016

**Unmodified Report on Financial Statements Issued in Accordance with Government Auditing Standards  
and Accompanied by Required Supplementary Information, Supplementary Information, and Other  
Information**

**Independent Auditor's Report**

**To the Board of Trustees  
Millsap Independent School District  
Millsap, Texas 76066**

**Report on the Financial Statements**

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 (the District) as of and for the year ended August 31, 2016, 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 from material misstatement.

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

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

# James E. Rodgers and Company, P.C.

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## **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, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Notes to the Financial Statements, in 2015, the District adopted new accounting guidance prescribed by GASB #68 for its pension plan a multiple-employer, cost-sharing, defined benefit pension plan that has a special funding situation. Because GASB #68 implements new measurement criteria and reporting provision, significant information has been added to the Government Wide Statements. Exhibit A-1 discloses the District's Net Pension Liability and some deferred resource outflows and deferred resource inflows related to the District's pension plan. Our opinion is not modified with respect to the 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 GASB 68 pension liability and contributions 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 Millsap Independent School District's basic financial statements. The combining and individual non-major fund financial statements, and the Texas Education Agency required information in conformity with laws and regulations of the State of Texas in Exhibits J-1 through J-3 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and the Texas Education Agency required information in conformity with laws and regulations of the state of Texas in Exhibits J-1 through J-3 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic 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 and individual non-major fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

# James E. Rodgers and Company, P.C.

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## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2016, on our consideration of the Millsap Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 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 Millsap Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,



James E. Rodgers and Company, P.C.

# MILLSAP INDEPENDENT SCHOOL DISTRICT

201 E. Brazos Street  
Millsap, Texas 76066



Phone: 940-682-4994 \* Fax: 940-682-4476

## MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the administration of **Millsap Independent School District**, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2016. Please read it in conjunction with the independent auditor's report and the District's Basic Financial Statements.

### FINANCIAL HIGHLIGHTS

#### Highlights of Current Fiscal Year Finances

District's Total Net Position at the end of the Year	\$	1,874,607
Total District Revenues for the Current Fiscal Year	\$	12,167,378
Total District Expenses for the Current Fiscal Year	\$	11,835,396
Fund Balance in the General Fund at the End of Year	\$	3,582,093

#### Changes in the District's Finances from the Previous Fiscal Year

	Increase (Decrease)	
	\$	%
<u>Change in Net Position:</u>		
Change in the District's Total Net Position	\$ 331,982	21.52%
<u>Revenue Changes:</u>		
Change in the District's Total Revenues	\$ 1,171,575	10.65%
Change in the District's Property Tax Revenues	\$ 111,573	2.27%
Change in the District's State Aid Formula Grants	\$ 902,808	20.19%
Change in Operating Grants and Contributions	\$ 50,165	5.22%
<u>Expense Changes:</u>		
Change in the District's Total Expenses	\$ 1,158,529	10.85%
<u>Other Information:</u>		
Change in the District's General Fund Balance	\$ 221,468	6.59%
Excess (Deficit) of Actual Revenue over Budgeted Revenue	\$ (67,790)	-0.71%

## **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district. The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for non-major funds contain even more information about the District's individual funds. These are not required by TEA. The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

### **Reporting the District as a Whole**

#### ***The Statement of Net Position and the Statement of Activities***

The analysis of the District's overall financial condition and operations begins with the Statement of Net Position (Exhibit A-1). Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the district and grants provided by the U.S. Department of Education to assist children with disabilities from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in that position. The District's net position (the difference between assets, deferred outflow, liabilities, and deferred inflows) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider non-financial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, we combine the District into one kind of activity (all governmental activities).



Governmental activities—All of the District's basic services are reported here, including instruction, counseling, extracurricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

## **Reporting the District's Most Significant Funds**

### ***Fund Financial Statements***

The fund financial statements begin with the Governmental Funds Balance Sheet (Exhibit C-1) and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the “No Child Left Behind” act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's two kinds of funds (governmental and proprietary) use different accounting approaches.

Governmental funds—Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation schedule following each of the fund financial statements.

Proprietary funds—The District reports the activities for which it charges users (whether outside customers or other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. In fact, the District's enterprise funds (one category of proprietary funds which the District does not have at present) are the business-type activities reported in the government-wide statements but containing more detail and additional information, such as cash flows. The internal service funds (the other category of proprietary funds in Exhibits D-1, D-2, and D-3 when applicable) report activities that provide supplies and services for the District's other programs and activities—such as the District's self-insurance programs.

## **The District as Trustee**

### ***Reporting the District's Fiduciary Responsibilities***

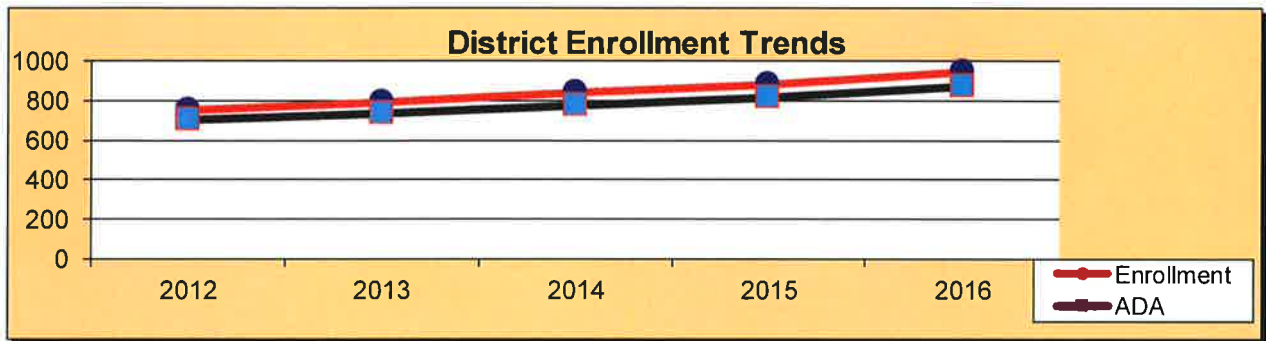
The District is the trustee, or fiduciary, for money raised by student activities and alumni scholarship programs. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position (Exhibit E-1). We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

State funding in Texas is based upon the District’s average daily attendance, thus the District’s revenue is highly dependent on enrollment trends. The District receives additional weighted funding for students enrolled in career and technology coursework, gifted and talented, special, bilingual, and compensatory education programs. The demographics of the District and the types of coursework students pursue are continuing to evolve in the District. The following chart details the enrollment trends of the District.

**ENROLLMENT TRENDS**

Year	Enrollment	ADA
2012	750	699.0
2013	791	737.5
2014	836	777.1
2015	878	814.5
2016	943	873.7



The following table indicates the net position of the District at the end of the previous and current year.

**Table I  
MILLSAP INDEPENDENT SCHOOL DISTRICT  
Net Position**

	Governmental Activities		Business-Type Activities		Totals	
	2015	2016	2015	2016	2015	2016
Current and other assets	\$ 4,434,015	\$ 4,888,204	\$ -	\$ -	\$ 4,434,015	\$ 4,888,204
Capital assets	21,647,804	20,961,942	-	-	21,647,804	20,961,942
Deferred Outflows of Resources	1,587,200	2,440,703	-	-	1,587,200	2,440,703
<b>Total assets &amp; deferred outflows</b>	<b>\$27,669,019</b>	<b>\$28,290,849</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$27,669,019</b>	<b>\$28,290,849</b>
Long-term liabilities	\$25,667,728	\$25,998,885	\$ -	\$ -	\$25,667,728	\$25,998,885
Other liabilities	278,134	305,528	-	-	278,134	305,528
Deferred Inflows of Resources	180,532	111,829	-	-	180,532	111,829
<b>Total liabilities &amp; deferred inflows</b>	<b>\$26,126,394</b>	<b>\$26,416,242</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$26,126,394</b>	<b>\$26,416,242</b>
Net Position:						
Net Investment in capital assets	\$ (1,945,566)	\$ (1,924,772)	\$ -	\$ -	\$ (1,945,566)	\$ (1,924,772)
Restricted	443,279	658,574	-	-	443,279	658,574
Unrestricted	3,044,912	3,140,805	-	-	3,044,912	3,140,805
<b>Total net position</b>	<b>\$ 1,542,625</b>	<b>\$ 1,874,607</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,542,625</b>	<b>\$ 1,874,607</b>

The following table indicates the changes in net position of the District during 2015 and 2016.

<b>Table II</b>						
<b>MILLSAP INDEPENDENT SCHOOL DISTRICT</b>						
<b>Changes in Net Position</b>						
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>
Program Revenues:						
Charges for Services	\$ 547,257	\$ 545,987	\$ -	\$ -	\$ 547,257	\$ 545,987
Operating grants & contributions	960,546	1,010,711	-	-	960,546	1,010,711
General Revenues:						
Maintenance & operations taxes	3,444,324	3,540,379	-	-	3,444,324	3,540,379
Debt service taxes	1,460,137	1,475,655	-	-	1,460,137	1,475,655
State aid - formula grants	4,470,630	5,373,438	-	-	4,470,630	5,373,438
Investment earnings	32,174	33,623	-	-	32,174	33,623
Miscellaneous	80,735	187,585	-	-	80,735	187,585
<b>Total Revenues</b>	<b>\$ 10,995,803</b>	<b>\$ 12,167,378</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,995,803</b>	<b>\$ 12,167,378</b>
Expenses						
Instruction, curriculum & media services	\$ 5,269,797	\$ 5,922,600	\$ -	\$ -	\$ 5,269,797	\$ 5,922,600
Instructional & school leadership	593,195	658,399	-	-	593,195	658,399
Student support services	605,257	682,902	-	-	605,257	682,902
Food Service	492,448	571,929	-	-	492,448	571,929
Extracurricular activities	690,798	764,100	-	-	690,798	764,100
General administration & data processing	617,000	768,656	-	-	617,000	768,656
Plant maintenance & security	1,121,912	1,405,275	-	-	1,121,912	1,405,275
Interest & fees on long term debt	1,115,256	883,197	-	-	1,115,256	883,197
Other business-type activities & intergovernmental	171,204	178,338	-	-	171,204	178,338
<b>Total Expenses</b>	<b>\$ 10,676,867</b>	<b>\$ 11,835,396</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,676,867</b>	<b>\$ 11,835,396</b>
<b>Increase in net position before transfers and special items</b>	<b>\$ 318,936</b>	<b>\$ 331,982</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 318,936</b>	<b>\$ 331,982</b>
Transfers	-	-	-	-	-	-
Extraordinary & special items	-	-	-	-	-	-
Prior period adjustment - GASB 68						
Pension Reporting	(668,655)	-	-	-	(668,655)	-
Net position at 9/1	1,892,344	1,542,625	-	-	1,892,344	1,542,625
<b>Total Net Position</b>	<b>\$ 1,542,625</b>	<b>\$ 1,874,607</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,542,625</b>	<b>\$ 1,874,607</b>

An analysis of the change in the net position for governmental activities is as follows:

<b>Excess of Revenues Over Expenditures for Governmental Funds</b>	<b>\$ 407,525</b>
<b>Change in Net Position of Internal Service Funds</b>	<b>-</b>
<b>Current Year Purchases of Capital Assets</b>	<b>243,301</b>
<b>Current Year Debt Principal Payments</b>	<b>2,991,415</b>
<b>Depreciation</b>	<b>(907,880)</b>
<b>Reclassification of bond and long term debt proceeds as increase in debt</b>	<b>(2,641,303)</b>
<b>Other Modified to Full Accrual Revenue Adjustments</b>	<b>372,123</b>
<b>Net Adjustment To Pension Expense Per GASB 68</b>	<b>(133,199)</b>
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 331,982</b>

**THE DISTRICT'S FUNDS**

A financial summary of the District’s funds for the current year is as follows:

<b>Governmental Fund Financial Statements</b>				
	<b>General Fund</b>	<b>Special Revenue Funds</b>	<b>Debt Service Fund</b>	<b>Total</b>
Revenues	\$ 9,441,211	\$ 1,127,291	\$ 1,600,887	\$ 12,169,389
Expenditures	(9,219,743)	(1,148,091)	(1,466,514)	(11,834,348)
Other Financing Sources	-	-	2,641,303	2,641,303
Other Financing Uses	-	-	(2,568,819)	(2,568,819)
Net Change in Fund Balance	\$ 221,468	\$ (20,800)	\$ 206,857	\$ 407,525
Beginning Fund Balance	3,360,625	146,064	446,899	3,953,588
<b>Ending Fund Balance</b>				
<b>All Governmental Funds</b>	\$ 3,582,093	\$ 125,264	\$ 653,756	\$ 4,361,113

The District modified its budget several times during the year resulting in a net increase in budgeted expenditures between the original and final budget in the District’s General Fund. Significant amendments were made during the current year for various functions as per Exhibit G-1.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of the current year, the District had invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This year's major additions and the net change in total capital assets are as follows:

Monument Project	\$ 118,099
Outdoor Learning Center	10,454
77 Passenger Bus	93,768
25 Passenger Ford Bus	15,000
Waste Water Pump System	5,980
<b>TOTAL</b>	<b>\$ 243,301</b>
Total Additions	\$ 243,301
Total Deletions	152,259
<b>Net Change</b>	<b>\$ 91,042</b>

The District's next fiscal year general fund capital budget indicates no significant capital outlay.

**Debt**

The District's long term debt at the end of the current year is as follows:

	Interest Rate on Issue	Amounts Original Issue	Interest Current Year	Outstanding 8/31/2016	Next Year's Total Principal and Interest Requirement
2007 School Building Bonds	4.50%-4.70%	\$ 13,099,997	\$ 65,498	\$ 9,449	\$ 95,000
2008 School Building Bonds	4.85%-5.60%	\$ 2,399,998	118,177	40,118	110,000
2010 Maintenance Tax Notes	5.49%-5.49%	\$ 2,000,000	83,504	1,403,000	202,025
2011 Tax Refunding Bonds	1.65%-4.00%	\$ 1,579,998	45,825	1,225,000	157,375
2014 Tax Refunding Bonds	2.00%-4.00%	\$ 8,774,806	308,200	8,419,903	552,800
2015 Tax Refunding Bonds	0.50%-2.88%	\$ 8,502,478	320,566	8,065,585	374,600
2016 Tax Refunding Bonds	2.00%-4.00%	\$ 2,349,000	12,349	2,304,000	94,250
<b>Totals</b>			\$ 954,119	\$ 21,467,055	\$ 1,586,050

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

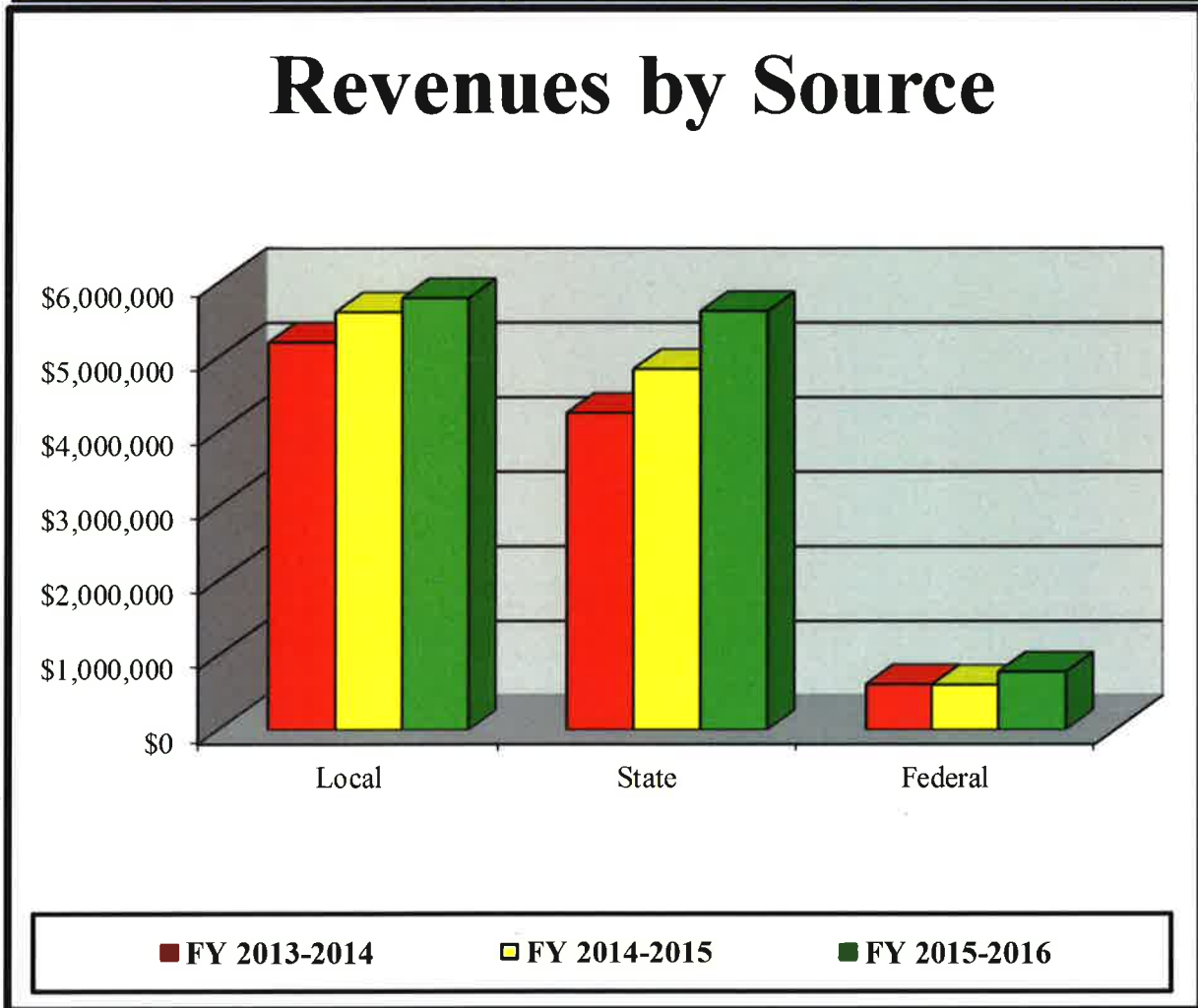
The District's elected and appointed officials considered many factors when setting the next fiscal year budget and tax rates. Those factors included a stable local economy and a slightly increasing average student population during the previous five years as indicated by the enrollment data on page 9. These indicators were taken into account when adopting the General Fund budget for next year. A summary of the next fiscal year budget is as follows:

Fiscal Year 2016 - 2017 Adopted Budget				
	General Fund	Child Nutrition Fund	Debt Service Fund	TOTALS
Revenues	\$ 9,125,252	\$ 525,534	\$ 1,515,012	\$ 11,165,798
Expenditures	(9,125,252)	(525,534)	(1,515,012)	(11,165,798)
Other Financing Sources	-	-	-	-
Other Financing Uses	-	-	-	-
Net Change in Fund Balance	\$ -	\$ -	\$ -	\$ -
Beginning of Year Fund Balance	3,582,093	17,588	653,756	4,253,437
Projected End of Year Fund Balance	\$ 3,582,093	\$ 17,588	\$ 653,756	\$ 4,253,437

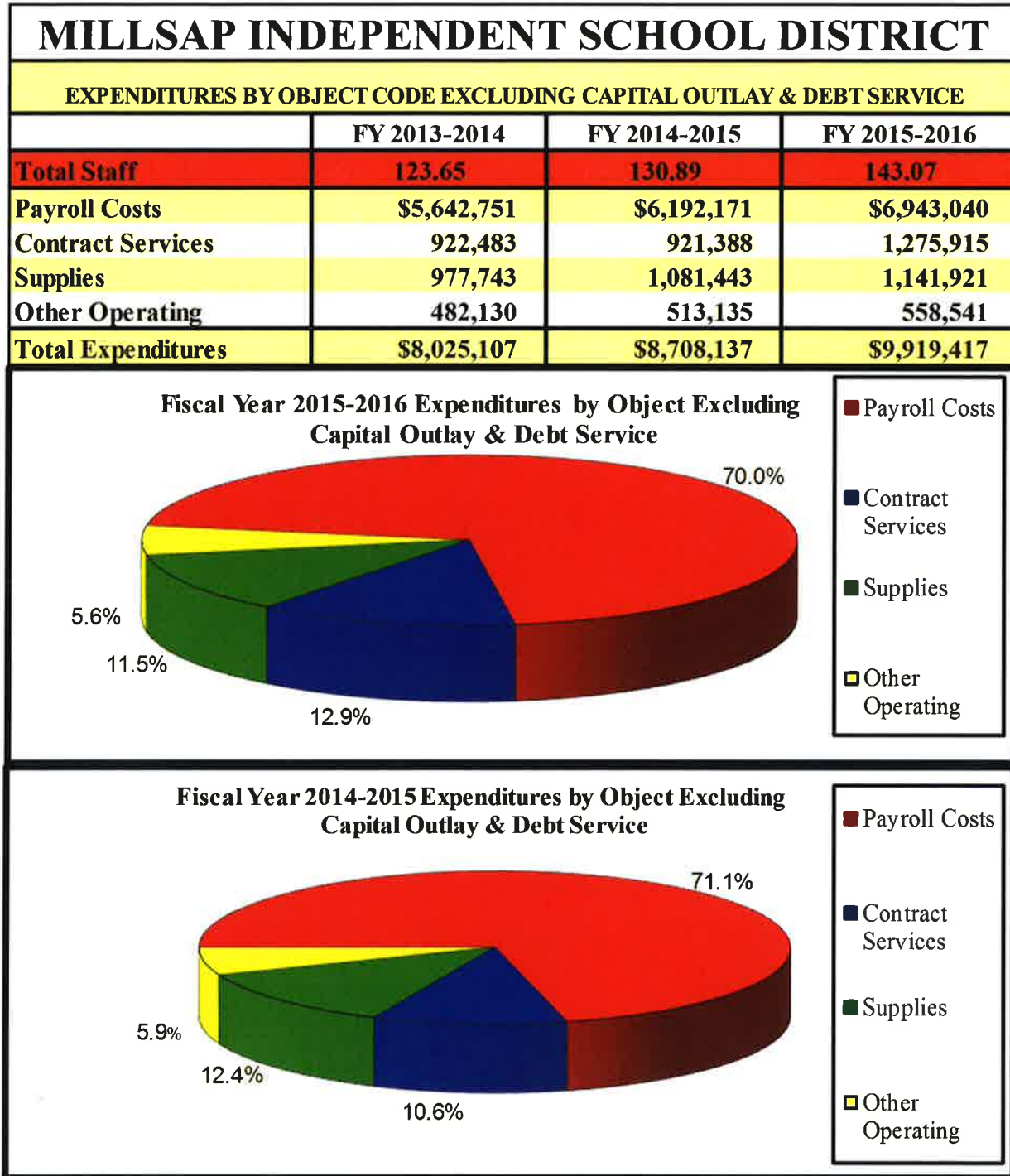


The following graph indicates the District's revenues by source for the last three years.

<b>MILLSAP INDEPENDENT SCHOOL DISTRICT</b>			
<b>REVENUES BY SOURCE</b>			
	<b>FY 2013-2014</b>	<b>FY 2014-2015</b>	<b>FY 2015-2016</b>
<b>ADA</b>	<b>777.069</b>	<b>814.516</b>	<b>873.716</b>
<b>Local</b>	<b>\$5,192,088</b>	<b>\$5,595,693</b>	<b>\$5,785,240</b>
<b>State</b>	<b>4,245,136</b>	<b>4,831,842</b>	<b>5,608,486</b>
<b>Federal</b>	<b>608,231</b>	<b>599,334</b>	<b>775,663</b>
<b>Total</b>	<b>\$10,045,455</b>	<b>\$11,026,869</b>	<b>\$12,169,389</b>



The following graph indicates the District's operating expenditures by object for the last two years.



**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show 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, at **Millsap Independent School District, 201 E. Brazos, Millsap Texas 76066; (940) 682-4994.**

**BASIC FINANCIAL STATEMENTS**



MILLSAP INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
AUGUST 31, 2016

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 1,392,648
1120 Current Investments	2,399,567
1220 Property Taxes Receivable (Delinquent)	295,420
1230 Allowance for Uncollectible Taxes	(73,855)
1240 Due from Other Governments	819,180
1250 Accrued Interest	3,142
1290 Other Receivables, net	52,102
Capital Assets:	
1510 Land	947,249
1520 Buildings, Net	19,577,284
1530 Furniture and Equipment, Net	433,916
1550 Leased Property Under Capital Leases, Net	3,493
1000 Total Assets	25,850,146
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1701 Deferred Charge for Refunding	1,556,196
1705 Deferred Outflow Related to TRS	884,507
1700 Total Deferred Outflows of Resources	2,440,703
<b>LIABILITIES</b>	
2110 Accounts Payable	11,342
2160 Accrued Wages Payable	288,338
2200 Accrued Expenses	5,848
Noncurrent Liabilities	
2501 Due Within One Year	633,250
2502 Due in More Than One Year	23,862,468
2540 Net Pension Liability (District's Share)	1,503,167
2000 Total Liabilities	26,304,413
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605 Deferred Inflow Related to TRS	111,829
2600 Total Deferred Inflows of Resources	111,829
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	(1,924,772)
3820 Restricted for Federal and State Programs	57,626
3850 Restricted for Debt Service	600,948
3900 Unrestricted	3,140,805
3000 Total Net Position	\$ 1,874,607

The notes to the financial statements are an integral part of this statement.

MILLSAP INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT B-1

Net (Expense)  
Revenue and  
Changes in Net  
Position

Data Control Codes	1	Program Revenues		6
	Expenses	3	4	Primary Gov. Governmental Activities
		Charges for Services	Operating Grants and Contributions	
<b>Primary Government:</b>				
<b>GOVERNMENTAL ACTIVITIES:</b>				
11 Instruction	\$ 5,760,591	\$ 37,633	\$ 453,177	\$ (5,269,781)
12 Instructional Resources and Media Services	112,436	-	4,619	(107,817)
13 Curriculum and Staff Development	49,573	-	18,853	(30,720)
23 School Leadership	658,399	-	122,822	(535,577)
31 Guidance, Counseling and Evaluation Services	195,670	-	11,154	(184,516)
33 Health Services	112,987	-	5,505	(107,482)
34 Student (Pupil) Transportation	374,245	-	36,239	(338,006)
35 Food Services	571,929	281,220	282,313	(8,396)
36 Extracurricular Activities	764,100	227,134	11,582	(525,384)
41 General Administration	756,518	-	22,955	(733,563)
51 Facilities Maintenance and Operations	1,405,275	-	40,787	(1,364,488)
53 Data Processing Services	12,138	-	-	(12,138)
61 Community Services	705	-	705	-
72 Debt Service - Interest on Long Term Debt	807,101	-	-	(807,101)
73 Debt Service - Bond Issuance Cost and Fees	76,096	-	-	(76,096)
93 Payments related to Shared Services Arrangements	177,633	-	-	(177,633)
<b>[TP] TOTAL PRIMARY GOVERNMENT:</b>	<b>\$ 11,835,396</b>	<b>\$ 545,987</b>	<b>\$ 1,010,711</b>	<b>(10,278,698)</b>

Data Control Codes	General Revenues:		
	Taxes:		
MT	Property Taxes, Levied for General Purposes		3,540,379
DT	Property Taxes, Levied for Debt Service		1,475,655
SF	State Aid - Formula Grants		5,373,438
IE	Investment Earnings		33,623
MI	Miscellaneous Local and Intermediate Revenue		208,868
FR	Loss on Disposition of Property		(21,283)
TR	<b>Total General Revenues &amp; Transfers</b>		<b>10,610,680</b>
CN	Change in Net Position		331,982
NB	Net Position - Beginning		1,542,625
NE	Net Position--Ending		<b>\$ 1,874,607</b>

The notes to the financial statements are an integral part of this statement.

MILLSAP INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2016

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ 1,031,800	\$ 245,148	\$ 115,700	\$ 1,392,648
1120 Investments - Current	2,050,828	348,739	-	2,399,567
1220 Property Taxes - Delinquent	217,658	77,762	-	295,420
1230 Allowance for Uncollectible Taxes (Credit)	(54,415)	(19,440)	-	(73,855)
1240 Receivables from Other Governments	729,970	59,640	29,570	819,180
1250 Accrued Interest	2,914	228	-	3,142
1260 Due from Other Funds	14,504	-	-	14,504
1290 Other Receivables	52,102	-	-	52,102
1000 Total Assets	<u>\$ 4,045,361</u>	<u>\$ 712,077</u>	<u>\$ 145,270</u>	<u>\$ 4,902,708</u>
<b>LIABILITIES</b>				
2110 Accounts Payable	\$ 11,340	\$ -	\$ -	\$ 11,340
2160 Accrued Wages Payable	283,322	-	5,016	288,338
2170 Due to Other Funds	-	-	14,504	14,504
2200 Accrued Expenditures	5,362	-	486	5,848
2000 Total Liabilities	<u>300,024</u>	<u>-</u>	<u>20,006</u>	<u>320,030</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
2601 Unavailable Revenue - Property Taxes	163,244	58,321	-	221,565
2600 Total Deferred Inflows of Resources	<u>163,244</u>	<u>58,321</u>	<u>-</u>	<u>221,565</u>
<b>FUND BALANCES</b>				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	57,626	57,626
3480 Retirement of Long-Term Debt	-	653,756	-	653,756
Committed Fund Balance:				
3510 Construction	1,000,000	-	-	1,000,000
Assigned Fund Balance:				
3590 Other Assigned Fund Balance	-	-	67,638	67,638
3600 Unassigned Fund Balance	2,582,093	-	-	2,582,093
3000 Total Fund Balances	<u>3,582,093</u>	<u>653,756</u>	<u>125,264</u>	<u>4,361,113</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 4,045,361</u>	<u>\$ 712,077</u>	<u>\$ 145,270</u>	<u>\$ 4,902,708</u>

The notes to the financial statements are an integral part of this statement.

MILLSAP INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
AUGUST 31, 2016

<b>Total Fund Balances - Governmental Funds</b>	\$	4,361,113
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase (decrease) net position.		-
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$33,240,552 and the accumulated depreciation was \$11,592,748. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.		(2,015,966)
3 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase (decrease) net position.		3,234,716
4 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of 1,503,167, a Deferred Resource Inflow related to TRS in the amount of \$111,829 and a Deferred Resource Outflow related to TRS in the amount of \$884,507. This amounted to a decrease in Net Position in the amount of \$730,489.		(730,489)
5 The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(907,880)
6 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unearned revenue from property taxes as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		(2,066,887)
<b>19 Net Position of Governmental Activities</b>	<b>\$</b>	<b>1,874,607</b>

The notes to the financial statements are an integral part of this statement.

MILLSAP INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes		10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 3,815,425	\$ 1,496,131	\$ 473,684	\$ 5,785,240
5800	State Program Revenues	5,452,688	104,756	51,042	5,608,486
5900	Federal Program Revenues	173,098	-	602,565	775,663
5020	Total Revenues	<u>9,441,211</u>	<u>1,600,887</u>	<u>1,127,291</u>	<u>12,169,389</u>
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	4,794,664	-	210,787	5,005,451
0012	Instructional Resources and Media Services	111,520	-	-	111,520
0013	Curriculum and Instructional Staff Development	30,421	-	18,853	49,274
0023	School Leadership	549,336	-	93,702	643,038
0031	Guidance, Counseling and Evaluation Services	192,202	-	-	192,202
0033	Health Services	111,175	-	-	111,175
0034	Student (Pupil) Transportation	405,460	-	27,434	432,894
0035	Food Services	13,499	-	531,807	545,306
0036	Extracurricular Activities	426,346	-	211,695	638,041
0041	General Administration	738,825	-	-	738,825
0051	Facilities Maintenance and Operations	1,332,223	-	53,108	1,385,331
0053	Data Processing Services	12,138	-	-	12,138
0061	Community Services	-	-	705	705
Debt Service:					
0071	Principal on Long Term Debt	118,000	523,414	-	641,414
0072	Interest on Long Term Debt	83,503	870,616	-	954,119
0073	Bond Issuance Cost and Fees	3,612	72,484	-	76,096
Capital Outlay:					
0081	Facilities Acquisition and Construction	119,186	-	-	119,186
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	177,633	-	-	177,633
6030	Total Expenditures	<u>9,219,743</u>	<u>1,466,514</u>	<u>1,148,091</u>	<u>11,834,348</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>221,468</u>	<u>134,373</u>	<u>(20,800)</u>	<u>335,041</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
7911	Capital Related Debt Issued (Regular Bonds)	-	2,349,000	-	2,349,000
7916	Premium or Discount on Issuance of Bonds	-	292,303	-	292,303
8949	Other (Uses)	-	(2,568,819)	-	(2,568,819)
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>72,484</u>	<u>-</u>	<u>72,484</u>
1200	Net Change in Fund Balances	221,468	206,857	(20,800)	407,525
0100	Fund Balance - September 1 (Beginning)	3,360,625	446,899	146,064	3,953,588
3000	Fund Balance - August 31 (Ending)	<u>\$ 3,582,093</u>	<u>\$ 653,756</u>	<u>\$ 125,264</u>	<u>\$ 4,361,113</u>

The notes to the financial statements are an integral part of this statement.

MILLSAP INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED AUGUST 31, 2016

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	407,525
<p>The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase (decrease) net position.</p>		
		-
<p>Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the current year capital outlays and debt principal payments is to increase (decrease) net position.</p>		
		3,234,716
<p>Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.</p>		
		(907,880)
<p>Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unearned revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.</p>		
		(2,269,180)
<p>The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 8/31/2015 caused the change in the ending net position to increase. Contributions made before the measurement but during the 2016 FY were also de-expended and recorded as a reduction in the net pension liability for the district. This also caused an increase in the change in net position. The District recorded their proportionate share of the pension expense during the measurement period as part of the net pension liability. Amounts were expensed for FY2016 for pension expense columns 6 - 12 from TRS data and the amounts de-expended for the net deferred resource inflow recognized by TRS in the measurement period of August 31, 2015. This caused a net decrease in the change in net position. The impact of all of these is to decrease the change in net position by \$133,199.</p>		
		(133,199)
 <b>Change in Net Position of Governmental Activities</b>	 \$	 <u>331,982</u>

The notes to the financial statements are an integral part of this statement.

MILLSAP INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
AUGUST 31, 2016

EXHIBIT E-1

	Agency Fund	Fiduciary Component Unit
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 22,404	\$ -
Restricted Assets	-	150,905
Total Assets	<u>\$ 22,404</u>	<u>\$ 150,905</u>
<b>LIABILITIES</b>		
Due to Student Groups	\$ 22,404	-
Total Liabilities	<u>\$ 22,404</u>	<u>-</u>
<b>NET POSITION</b>		
Restricted for Scholarships		150,905
Unrestricted Net Position		<u>-</u>
Total Net Position		<u>\$ 150,905</u>

The notes to the financial statements are an integral part of this statement.

MILLSAP INDEPENDENT SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION  
 FIDUCIARY FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2016

	Fiduciary Component Unit
<b>ADDITIONS:</b>	
Local and Intermediate Sources	\$ 38,353
Total Additions	<u>38,353</u>
<b>DEDUCTIONS:</b>	
Other Operating Costs	14,912
Total Deductions	<u>14,912</u>
Change in Net Position	23,441
Total Net Position - September 1 (Beginning)	<u>127,464</u>
Total Net Position - August 31 (Ending)	<u>\$ 150,905</u>

The notes to the financial statements are an integral part of this statement.



# MILLSAP INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2016

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Millsap Independent School District (the "District")** is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven-member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles accepted in the United States of America as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District also complies with the requirements of the appropriate version of Texas Education Agency's **Financial Accountability System Resource Guide** (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

#### **A. REPORTING ENTITY**

The Board of Trustees (the "Board") is elected by the public and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement 61. The only component unit included within the reporting entity is the Millsap Educational Foundation which is included as a fiduciary component unit.

#### **B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the **Millsap Independent School District** non-fiduciary activities with most of the inter-fund activities removed. *Governmental activities* include programs supported primarily by taxes, state foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If revenue is not program revenue, it is general revenue used to support all of the District's functions. Taxes are always general revenues.

Inter-fund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position. All Inter-fund transactions between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements. Inter-fund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Position as internal balances and on the Statement of Activities as Inter-fund transfers. Inter-fund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental and enterprise funds major and report their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are non-operating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are non-operating.

### **C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for un-matured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year-end.

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, that is, when they are both measurable and available. The District considers them "available" if they will be collected within 60 days of the end of the fiscal year. 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.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into net investment in capital assets, restricted net position, and unrestricted net position.

#### **D. FUND ACCOUNTING**

The District reports the following major governmental funds:

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

**Special Revenue Fund** – The District did not maintain major special revenue governmental funds during the current year.

**Capital Projects Fund** - The District did not maintain major capital project governmental funds during the current year.

**Debt Service Fund** - The District did maintain major debt service governmental funds during the current year.

**Other Governmental Fund** - The District did not maintain other major governmental funds during the current year.

The District reports the following major enterprise fund(s):

**The District does not maintain major enterprise funds at present.**

There are no current balances due to the internal service funds from obligations made to maintain capital for the operation of each internal service fund for such activities as self-insurance; thus, the balance is not scheduled to be collected in the subsequent year. All remaining balances resulted from the time lag between the dates that (1) inter-fund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

During the current year ended August 31, 2016, the District did not make a one-time transfer of funds from the general fund to the debt service fund to subsidize, in part, the District's obligation of interest and sinking fund requirements.

Additionally, the District reports the following fund type(s):

**Governmental Funds:**

**Special Revenue Funds** – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund and sometimes unused balances must be returned to the grantor at the close of specified project periods.

**Debt Service Funds** – The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund when applicable.

**Capital Projects Funds** – Proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund when applicable.

**Permanent Funds** – The District accounts for donations which the donor has stipulated that the principal may not be expended and where the income may only be used for purposes that support the District's programs when applicable.

**Proprietary Funds:**

**Enterprise Funds** – The District's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund when applicable.

**Internal Service Funds** – Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis (such as workers' compensation) are accounted for in an internal service fund when applicable.

**Fiduciary Funds:**

**Private Purpose Trust Funds** – The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. When applicable, the District maintains a private purpose trust fund to provide scholarships for students that have graduated from the District.

**Pension (and Other Employee Benefit) Trust Funds** – These funds are used to account for local pension and other employee benefit funds that are provided by the District in lieu of or in addition to the Teacher Retirement System of Texas when applicable.

**Investment Trust Fund** – When applicable, this fund is used by the District to hold assets in trust for other entities participating in an investment program managed by the district.

**Agency Funds** – The District accounts for resources held for others in a custodial capacity in agency funds including funds used to account for student activities.

**E. OTHER ACCOUNTING POLICIES**

1. For purposes of the statement of cash flows for proprietary funds, the District considers highly liquid investments to be cash equivalents if they have maturity of three months or less when purchased.

2. The District reports inventories of supplies using the first-in, first-out inventory cost method. The supplies include consumable maintenance, instructional, office, athletic, and transportation items. Under the purchase method, supplies are recorded as expenditures when they are purchased. Inventories of food commodities are recorded at market values supplied by the Department of Agriculture. Although commodities are received at no cost, their fair market value is supplied by the Department of Agriculture and recorded as revenue and expenditures when received. Material inventories (if any) including food commodities are recorded as an asset and a corresponding amount of expenditures are reduced at year-end.
3. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as current year debt service expenditures in the year the long-term obligation is issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

4. It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.
5. Capital assets, which include land, buildings, furniture and equipment and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

ASSETS	YEARS
<b>Buildings</b>	<b>40</b>
<b>Buildings and Improvements</b>	<b>30</b>
<b>Infrastructure</b>	<b>40</b>
<b>Vehicles</b>	<b>10</b>
<b>Office Equipment</b>	<b>10</b>
<b>Computer Equipment</b>	<b>10</b>

6. Since Internal Service Funds in the District support the operations of governmental funds, they are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid "grossing up" the revenues and expenses of the District as a whole.
7. Restricted assets, if applicable, of the District are limited to cash and certificates of deposit which have been gifted to the District with the stipulation that only the earnings are available for current and future scholarship recipients.
8. The Districts that participate in self-funded workers' compensation programs execute inter-local agreements that define the responsibilities of the parties. The program, if applicable, provides statutory workers' compensation benefits to its members and their injured employees.

9. **Net Position and Fund Balances:**

**Government-wide and Proprietary Fund Net Position:**

Government-wide and proprietary fund net positions are divided into three components:

- Net investment in capital assets—consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted net position—consist of assets that are restricted by the District's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted—all other net position is reported in this category.

**Governmental Fund Balances:**

In the governmental fund financial statements, fund balances are classified as follows:

- Non-spendable—Amounts that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.
- Restricted—Amounts that can be spent only for specific purposes because of the District's state or federal laws, or externally imposed conditions by grantors or creditors.
- Committed—Amounts that can be used only for specific purposes determined by a formal action by Board of Trustees' ordinance.
- Assigned—Amounts that are designated by the Superintendent for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval (for capital projects or debt service) by the Board of Trustees.
- Unassigned—All amounts not included in other spendable classifications.

10. **Use of Restricted Resources:**

When an expenditure/expense is incurred that can be paid using either restricted or unrestricted resources (net position), the District's policy is to first apply the expenditure/expense toward restricted resources and then toward unrestricted resources. In governmental funds, the District's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications—committed and then assigned fund balances before using unassigned fund balances.

11. As of the end of this fiscal year, the District retrospectively/prospectively applied Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

12. Investment income reported in one fund has not been assigned directly to another fund by the District.
13. The Data Control Codes refer to the account code structure prescribed by the Texas Education Agency (TEA) in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a statewide database for policy development and funding plans.
14. Deferred Outflows of Resources:

The District reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statements of net position. There is no deferred outflow of resources reported in this year's financial statements. No deferred outflows of resources affect the governmental funds financial statements in the current year.
15. Deferred Inflows of Resources:

The District's governmental funds report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net assets that applies to a future period(s). The District will not recognize the related revenues until a future event occurs. The District has only one type of item which occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the District's fiscal year) under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, deferred property taxes and grants are reported in the governmental funds balance sheet. The District did not have deferred inflows of resources to report in its government-wide or proprietary fund financial statements for the current year.
16. Pensions:

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's 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.

## II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

### A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

<b>Capital Assets at the Beginning of the Year</b>	<b>Historical Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Value Beg of Year</b>	<b>Change in Net Position</b>
Land	\$ 947,249	\$ -	\$ 947,249	
Buildings and Improvements	30,863,542	(10,558,198)	20,305,344	
Furniture and Equipment	1,429,761	(1,034,550)	395,211	
Construction in Progress	-	-	-	
<b>Change in Net Position</b>				\$ 21,647,804
<b>Long-term Liabilities at the Beginning of the Year</b>			<b>Payable Beg of Year</b>	
Bonds, Notes, & Capital Leases Payable			\$ 22,117,768	
Less Deferred Charge on Refunding			(1,413,797)	
Add Unamortized Bond Premium			2,004,796	
Accreted Interest on CAB Bonds			892,901	
Accrued Interest - Bonds			62,102	
<b>Change in Net Position</b>				23,663,770
<b>Net Adjustment to Net Position</b>				\$ (2,015,966)



**B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**

Exhibit C-4 provides reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net position balance and the change in net position shown in Exhibit C-2 and Exhibit C-4. The details of this adjustment are as follows:

	Amount	Adjustments To Changes in Net Position	Adjustments to Net Position
<b>Current Year Capital Outlay</b>			
Land	\$ -		
Buildings & Improvements	128,553		
Furniture & Equipment	114,748		
Construction in Progress	-		
<b>Total Capital Outlay</b>	<u>243,301</u>	243,301	243,301
<b>Debt Principal Payments</b>			
Bond Principal	2,873,415		
Note Principal Payments	118,000		
Capital Lease Payments	-		
Other Adjustments	-		
<b>Total Principal Payments</b>	<u>2,991,415</u>	2,991,415	2,991,415
<b>Total Adjustment to Net Position</b>		<b>\$ 3,234,716</b>	<b>\$ 3,234,716</b>

Another element of the reconciliation on Exhibits C-2 and C-4 are described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details of this adjustment are as follows:

	Amount	Adjustments to Change in Net Position	Adjustments to Net Position
<b>Adjustments to Revenue, Unearned Revenue, Beg. Net Position</b>			
Beginning of Year Unearned Tax Revenue	\$ 202,293		\$ 202,293
Property tax adjustments to convert from the Modified Accrual basis to the Full Accrual basis of accounting	\$ 19,272	\$ 19,272	19,272
Other Revenue/Expense Adjustments	\$ 8,297	8,297	8,297
<b>Reclassify Proceeds of Bonds, Loans &amp; Capital Leases</b>			
New Bond Issue	\$ (2,349,000)	(2,349,000)	(2,349,000)
Discount (Premium) on Issuance of Bonds	\$ (292,303)	(292,303)	(292,303)
Deferred Charge on Refunding	\$ 218,819	218,819	218,819
<b>Reclassify Certain Expenditures to Full Accrual From Modified Accrual</b>			
Adjust Accrued Interest on Long-term Debt	\$ 9,294	9,294	9,294
Record Current Year Accreted Interest on CAB Bonds	\$ (43,768)	(43,768)	(43,768)
Record Payment of Accreted Interest on CAB Bonds	\$ 126,585	126,585	126,585
Amortization of Bond Premium (Discount)	\$ 131,327	131,327	131,327
Amortization of Deferred Charge on Refunding	\$ (76,420)	(76,420)	(76,420)
Basis of Property Disposed	\$ (21,283)	(21,283)	(21,283)
<b>Totals</b>		<b>\$ (2,269,180)</b>	<b>\$ (2,066,887)</b>

### **III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

#### **A. BUDGETARY DATA**

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund (if applicable) and the Food Service Fund (which is included in the Special Revenue Funds). The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 and the other two reports are in the J Exhibits as reported in the required TEA Exhibits.

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

1. Prior to August 20, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.

3. Prior to September 1, the budget is legally enacted through passage of a resolution by the board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. **These amendments included additional appropriation for amounts as detailed in Exhibits G-1, J-2 and J-3.**

4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as adopted and amended by the Board of Trustees. All budget appropriations lapse at year-end. A reconciliation of fund balances for both appropriated budget and non-appropriated budget special revenue funds is as follows:

	<b>August 31</b>
	<b>Fund Balance</b>
Appropriated Budget Funds - Food Service Special Revenue Fund	\$ 17,588
Non-appropriated Budget Funds	107,676
<b>All Special Revenue Funds</b>	<b>\$ 125,264</b>

**B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

The District **did not incur a material excess of expenditures over appropriations** in any of the legally required budgeted funds during the current year. The District did incur an immaterial excess of expenditures over appropriations in function 51 of the Special Revenue Child Nutrition Program.

**C. DEFICIT FUND EQUITY**

The District **did not incur a deficit fund balance** in any fund during the current school year.

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. CASH, CASH EQUIVALENTS AND INVESTMENTS**

**Cash and Cash Equivalents**

The carrying amount of the District's cash and temporary investments at the end of the fiscal year follows:

<b>CASH AND INVESTMENTS - BY ACCOUNT TYPE</b>	<b>August 31, 2016</b>
Cash in Bank - Including Money Market Accounts	\$ 1,451,417
Certificates of Deposit	2,514,107
LOGIC and Texas CLASS Investment Pool Funds	-
<b>Total Cash and Investments</b>	<b>\$ 3,965,524</b>

<b>CASH AND INVESTMENTS - BY FUND</b>	<b>August 31, 2016</b>
Cash and Investments - General Fund	\$ 3,082,628
Cash and Investments - Major Debt Service Funds	593,887
Cash and Investments - Non-Major Governmental	115,700
Cash and Investments - Enterprise	-
Cash and Investments - Internal Service	-
Cash and Investments - Agency	22,404
Cash and Investments - Trusts	-
Cash and Investments - Other	150,905
<b>Total Cash and Investments</b>	<b>\$ 3,965,524</b>

**District Policies and Legal and Contractual Provisions Governing Deposits**

**Custodial Credit Risk for Deposits:** State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. The District's cash deposits at year end and at the date of the highest cash balance were entirely covered by FDIC insurance and/or pledged collateral or bond held by the District's agent bank in the District's name, and therefore, the District was not exposed to custodial credit risk during the current year.

**Foreign Currency Risk:** The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by (state an appropriate policy, such as, limiting all deposits denominated in a foreign currency to less than 5% of all deposits.)

As of the end of the current fiscal year, the following are the District's cash and cash equivalents with respective maturities and credit rating:

<b>Type of Deposit for Cash and Cash Equivalents</b>	<b>Fair Value</b>	<b>Percent</b>	<b>Maturity in less than 1 year</b>	<b>Maturity in 1 - 10 years</b>	<b>Maturity in Over 10 Years</b>	<b>Credit Rating</b>
Cash	\$ 1,451,417	36.60%	\$ 1,451,417	\$ -	\$ -	n/a
Money markets and FDIC Insured Accounts	2,514,107	63.40%	2,514,107	-	-	n/a
Investment Pools:						
None	-	-	-	-	-	
<b>Total Cash and Cash Equivalents</b>	<b>\$ 3,965,524</b>	<b>100.00%</b>	<b>\$ 3,965,524</b>	<b>\$ -</b>	<b>\$ -</b>	

## Investments

### District Policies and Legal and Contractual Provisions Governing Investments

#### Compliance with the Public Funds Investment Act

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity 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, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies; (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas; (3) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality not less than an "A"; (4) No load money market funds with a weighted average maturity of 90 days or less; (5) fully collateralized repurchase agreements; (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies OR one nationally recognized credit agency and is fully secured by an irrevocable letter of credit; (7) secured corporate bonds rated not lower than "AA-" or the equivalent; (8) public funds investment pools; and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas Public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

Additional policies and contractual provisions governing investments for the District are specified below:

Credit Risk: To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments in (list investments covered by the district's credit risk policy, such as commercial paper, corporate bonds, mutual bond funds) to the top (or top 2 or 3) ratings issued by nationally recognized statistical rating organizations (NRSROs). As of the current fiscal year, the district's investments in (category such as commercial paper) were rated (give appropriate information, for example, A1 by Standard & Poor's, F-1 by Fitch Ratings, etc.) (If a credit quality disclosure is required and the investment is unrated, the disclosure should indicate that fact.)

Custodial Credit Risk for Investments: To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the District requires counterparties to register the securities in the name of the district and hand them over to the District or its designated agent. This includes securities in securities lending transactions. All of the securities are in the District's name and held by the District or its agent.

Concentration of Credit Risk: To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District limits investments to less than 5% of its total investments. The District further limits investments in a single issuer when they would cause investment risks to be significantly greater in the governmental and business-type activities, individual major funds, aggregate non-major funds and fiduciary fund types than they are in the primary government. Usually this limitation is 20%.

Interest Rate Risk: To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires (specify some policy guideline such as "at least half of the investment portfolio to have maturities of less than one year on a weighted average maturity basis").

Foreign Currency Risk for Investments: The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment by avoiding all investments denominated in a foreign currency.

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 judgment and considers factors specific to each asset or liability.

As of the end of the current fiscal year, the District had no investments subject to the fair value measurement.

The District also has no investments measured at the Net Asset Value (NAV) per Share (or its equivalent).

## **B. 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 located in the District 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 31 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 (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

## **C. DELINQUENT TAXES RECEIVABLE**

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on 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.

#### D. INTERFUND BALANCES AND TRANSFERS

Inter-fund balances at year end consisted of the following amounts:

FUND	Due From Other Funds	Due To Other Funds
<b>General Fund</b>		
Major Governmental Funds	\$ -	\$ -
Non-major Governmental Funds	14,504	-
Internal Service Funds	-	-
All Others	-	-
Total General Fund	<u>\$ 14,504</u>	<u>\$ -</u>
<b>Major Governmental Funds</b>		
General Fund	\$ -	\$ -
Non-major Governmental Funds	-	-
Internal Service Funds	-	-
All Others	-	-
Total Major Governmental Funds	<u>\$ -</u>	<u>\$ -</u>
<b>Non-major Governmental Funds</b>		
General Fund	\$ -	\$ 14,504
Other Major Governmental Funds	-	-
Internal Service Funds	-	-
All Others	-	-
Total Non-major Governmental Funds	<u>\$ -</u>	<u>\$ 14,504</u>
<b>Internal Service Funds</b>		
General Fund	\$ -	\$ -
Major Governmental Fund	-	-
Non-major Governmental Funds	-	-
All Others	-	-
Total Internal Service Funds	<u>\$ -</u>	<u>\$ -</u>
<b>All Other Funds</b>		
General Fund	\$ -	\$ -
Major Governmental Funds	-	-
Non-major Governmental Funds	-	-
All Others	-	-
Total All Other Funds	<u>\$ -</u>	<u>\$ -</u>
<b>Total Interfund Receivables / Payables</b>	<u><b>\$ 14,504</b></u>	<u><b>\$ 14,504</b></u>

The balance of \$14,504 is due from special revenue funds to the general fund to cover cash deficits at year-end; \$0 of the balance is not scheduled to be collected in the subsequent year.

Inter-fund transfers for the current year end consisted of the following individual amounts:

FUND	Transfers In	Transfers Out
<b>General Fund</b>		
Major Governmental Funds	\$ -	\$ -
Non-major Governmental Funds	-	-
Internal Service Funds	-	-
All Others	-	-
Total General Fund	<u>\$ -</u>	<u>\$ -</u>
<b>Major Governmental Funds</b>		
General Fund	\$ -	\$ -
Non-major Governmental Funds	-	-
Internal Service Funds	-	-
All Others	-	-
Total Major Governmental Funds	<u>\$ -</u>	<u>\$ -</u>
<b>Non-major Governmental Funds</b>		
General Fund	\$ -	\$ -
Other Major Governmental Funds	-	-
Internal Service Funds	-	-
All Others	-	-
Total Non-major Governmental Funds	<u>\$ -</u>	<u>\$ -</u>
<b>Internal Service Funds</b>		
General Fund	\$ -	\$ -
Major Governmental Fund	-	-
Non-major Governmental Funds	-	-
All Others	-	-
Total Internal Service Funds	<u>\$ -</u>	<u>\$ -</u>
<b>All Other Funds</b>		
General Fund	\$ -	\$ -
Major Governmental Funds	-	-
Non-major Governmental Funds	-	-
Internal Service Funds	-	-
Total All Other Funds	<u>\$ -</u>	<u>\$ -</u>
<b>Total Interfund Transfers</b>	<u>\$ -</u>	<u>\$ -</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to cover operating deficits in funds such as the Food Service Funds. The District did not make transfers of funds during the current year.

During the current year ended August 31, 2016, the District did not make a one-time transfer of funds from the general fund to the debt service fund to subsidize, in part, the District's obligation of interest and sinking fund requirements.



**E. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables at year end were as follows:

	Property Taxes	Other Governments	Due From Other Funds	Other	Total Receivables
<b>Governmental Activities:</b>					
General Fund	\$ 217,658	\$ 729,970	\$ 14,504	\$ 55,016	\$ 1,017,148
Major Governmental Fund D/S	77,762	59,640	-	228	137,630
Non-major Governmental Funds	-	29,570	-	-	29,570
Internal Service Funds	-	-	-	-	-
<b>Total Governmental Activities</b>	<b>\$ 295,420</b>	<b>\$ 819,180</b>	<b>\$ 14,504</b>	<b>\$ 55,244</b>	<b>1,184,348</b>
Amounts not scheduled for collection during subsequent year	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Business-type Activities:</b>					
Major Enterprise Fund	\$ -	\$ -	\$ -	\$ -	\$ -
Non-major Enterprise Funds	-	-	-	-	-
<b>Total Business-type Activities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Payables at year end were as follows:

	Accounts Payable	Accrued Wages Payable	Accrued Expenditures	Due To Other Funds	Due To Other Govt.	Other	Total Payables
<b>Governmental Activities:</b>							
General Fund	\$ 11,340	\$ 283,322	\$ 5,362	\$ -	\$ -	\$ -	\$ 300,024
Major Governmental Fund D/S	-	-	-	-	-	-	-
Non-major Governmental Funds	-	5,016	486	14,504	-	-	20,006
Internal Service Funds	-	-	-	-	-	-	-
<b>Total Governmental Type Activities</b>	<b>\$ 11,340</b>	<b>\$ 288,338</b>	<b>\$ 5,848</b>	<b>\$ 14,504</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 320,030</b>
Amounts not scheduled for payment during subsequent year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Business-Type Activities:</b>							
Major Enterprise Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Non-major Enterprise Fund	-	-	-	-	-	-	-
<b>Total Business-Type Activities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**F. CAPITAL ASSET ACTIVITY**

Capital asset activity for the District for the current year end was as follows:

	<b>Primary Government</b>			
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
<b>Governmental Activities:</b>				
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 947,249	\$ -	\$ -	\$ 947,249
Construction In Progress	-	-	-	-
<b>Depreciable Capital Assets:</b>				
Buildings and Improvements	30,863,542	128,553	141,859	30,850,236
Furniture and Equipment	1,390,143	114,748	10,400	1,494,491
Capital Lease Property	39,618	-	-	39,618
<b>Totals at Historic Cost</b>	<b>\$ 33,240,552</b>	<b>\$ 243,301</b>	<b>\$ 152,259</b>	<b>\$ 33,331,594</b>
<b>Less Accumulated Depreciation for:</b>				
Buildings and Improvements	\$ 10,558,198	\$ 835,330	\$ 120,576	\$ 11,272,952
Furniture and Equipment	1,000,316	70,659	10,400	1,060,575
Leased Property Under Capital Leases	34,234	1,891	-	36,125
<b>Total Accumulated Depreciation</b>	<b>\$ 11,592,748</b>	<b>\$ 907,880</b>	<b>\$ 130,976</b>	<b>\$ 12,369,652</b>
<b>Governmental Activities Capital Assets- Net</b>	<b>\$ 21,647,804</b>	<b>\$ (664,579)</b>	<b>\$ 21,283</b>	<b>\$ 20,961,942</b>
<b>Business-type Activities:</b>				
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ -	\$ -	\$ -	\$ -
<b>Depreciable Capital Assets:</b>				
Buildings and Improvements	-	-	-	-
Furniture and Equipment	-	-	-	-
Capital Leases	-	-	-	-
<b>Totals at Historic Cost</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Less Accumulated Depreciation</b>				
Buildings and Improvements	\$ -	\$ -	\$ -	\$ -
Furniture and Equipment	-	-	-	-
Capital Leases	-	-	-	-
<b>Total Accumulated Depreciation</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Business-type Activities Capital Assets- Net</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**Depreciation expense was charged to governmental functions as follows:**

Instruction	\$ 676,378
Instructional Resources and Media Services	-
Curriculum Development and Instructional Staff Development	-
Instructional Leadership	-
School Leadership	-
Guidance, Counseling and Evaluation Services	-
Social Work Services	-
Health Services	-
Student (Pupil) Transportation	46,770
Food Services	19,183
Cocurricular/Extracurricular Activities	130,796
General Administration	16,877
Plant Maintenance and Operations	17,876
Security and Monitoring Service	-
Data Processing Services	-
Community Services	-
Contracted Instructional Services Between Schools	-
Fund(s) is charged to the various functions based on their usage of the assets	-
<b>Total Depreciation Expense</b>	<b>\$ 907,880</b>

The District has no capital assets that are not being depreciated as of the current fiscal year end except for land.

**G. SHORT-TERM DEBT PAYABLE**

The District accounts for short-term debts for maintenance purposes through the General Fund. Short-term debts include notes made in accordance with the provisions of the Texas Education Code Section 45.108. The proceeds from loans are shown in the governmental fund financial statements as Other Resources and principal payments are shown as Other Uses. As shown by the following table, the District has no short-term debt payable.

Date of Issue/ Maturity	Description	Beginning Balance	Amount Issued	Amount Redeemed	Ending Balance
None		\$ -	\$ -	\$ -	\$ -

## H. BONDS AND LONG-TERM NOTES PAYABLE

Bonded indebtedness of the District is reflected in the General Long-Term Debt Account Group. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. A summary of changes in general long-term debt for the current year end is as follows:

Description	Interest Rate Payable	Amounts Original Issue	Interest Current Year	Payable Amounts Outstanding 9/1/15	Issued	Retired	Payable Amounts Outstanding 8/31/16
2007 School Building Bonds	4.2%-4.92%	\$ 13,099,997	65,498	18,950	-	9,502	9,448
2008 School Building Bonds	4.85%-5.60%	\$ 2,399,998	118,177	2,399,998	-	2,359,879	40,119
2011 Tax Refunding Bonds	1.65%-4.00%	\$ 1,579,998	45,825	1,340,000	-	115,000	1,225,000
2010 Maintenance Tax Notes	5.49%-5.49%	\$ 2,000,000	83,504	1,521,000	-	118,000	1,403,000
2014 Tax Refunding Bonds	2.00%-4.00%	\$ 8,774,806	308,200	8,709,903	-	290,000	8,419,903
2015 Tax Refunding Bonds	0.50%-2.88%	\$ 8,502,478	320,566	8,119,619	-	54,034	8,065,585
2016 Tax Refunding Bonds	2.00%-4.00%	\$ 2,349,000	12,349	-	2,349,000	45,000	2,304,000
<b>TOTAL</b>			\$ 954,119	\$22,109,470	\$ 2,349,000	\$ 2,991,415	\$21,467,055

On May 20, 2016, the District issued general obligation bonds (Series 2016 Tax Refunding Bonds) of \$2,349,000 (par value) with an interest rates ranging between 2.00% and 4.00%. The District issued the bonds to refund \$2,350,000 of the 2008 Series School Building Bonds with interest rates ranging between 4.85% and 5.60%. The refunding bonds were issued at par, and after receiving a premium of \$315,260 and accrued interest of \$0, paying issuance costs of \$95,441, the net proceeds were \$2,568,819. The net proceeds were used to defease the 2008 School Building Bonds and accrued interest during the year ended August 31, 2016 by placing the proceeds in escrow to retire the bonds as of February 15, 2018. As a result of the refunding, the District decreased its total debt service requirement by \$532,232, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$421,229 during the 2016 year.

In prior years (year ended August 31, 2015), the District has defeased certain general obligation bonds **that are still outstanding** by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, trust account assets and liabilities for the defeased bonds exist and but are not included in the District's financial statements. As of the current year end, **\$13,031,150** of the 2007 Series School Building Bonds are considered defeased and still outstanding and **\$2,350,000** of the 2008 Series School Building Bonds are considered defeased and still outstanding.

There are a number of limitations and restrictions contained in the general obligation bond indenture. District administration has indicated that the District is in compliance with all significant limitations and restrictions at year end.

**I. COMMITMENTS UNDER OPERATING LEASES**

Commitments under operating (non-capitalized) lease agreements for facilities and equipment provide for minimum future rental payments at year end as follows (the imputed interest on the leases range from 4.50% to 4.50%:

<b>Year Ending August 31</b>	
2017	\$ 32,100
2018	32,100
2019	32,100
2020	32,100
2021	13,613
2022-2025	-
2026-2030	-
<b>Total Minimum Future Rentals</b>	<b>\$ 142,013</b>
<b>Rental Expenditures in Fiscal Year 2016</b>	<b>\$ 33,156</b>

**J. DEBT SERVICE REQUIREMENTS – BONDS, CAPITAL LEASES, & OTHER LONG-TERM DEBT**

Debt service requirements for bonds are as follows:

<b>General Obligations - Bonds and Notes Payable</b>			
<b>Year Ended August 31</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Requirements</b>
2017	\$ 580,442	\$ 1,005,608	\$ 1,586,050
2018	653,036	947,676	1,600,712
2019	705,805	910,911	1,616,716
2020	767,870	866,414	1,634,284
2021	801,068	880,100	1,681,168
2022-2026	5,183,834	3,144,379	8,328,213
2027-2031	5,400,000	2,006,750	7,406,750
2032-2036	6,020,000	892,400	6,912,400
2037-2041	1,355,000	27,100	1,382,100
2042-2046	-	-	-
<b>Totals</b>	<b>\$ 21,467,055</b>	<b>\$ 10,681,338</b>	<b>\$ 32,148,393</b>

**Capital Leases and Other Long-Term Debt**

The District was not obligated for a capital lease during the current year. The purpose of capital leases normally is for the purchase of equipment; capital leases are authorized under the Texas Education Code 48.05, the total amount capitalized under the capital lease is \$0, the minimum annual payments are \$0, and the effective rate of interest is 0.0%. Debt service requirements for capital leases and other long-term debt are as follows:

<b>Capital Lease Obligations</b>			
<b>Year Ended August 31</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Requirements</b>
2017	\$ -	\$ -	\$ -
2018	-	-	-
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022-2026	-	-	-
2027-2031	-	-	-
2032-2036	-	-	-
2037-2041	-	-	-
2042-2046	-	-	-
<b>Total Capital Lease Payments</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**K. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS**

Upon retirement or death of certain employees, the District pays any accrued sick leave and vacation leave in “lump sum” cash payment to such employee or his/her estate. Individuals employed after October 1, 1985, are not eligible to receive the lump sum payments. A summary of changes in the accumulated sick leave and vacation leave liability follows:

	<b>Sick Leave</b>	<b>Vacation Leave</b>
Balance September 1, 2015	\$ -	\$ -
Additions - New Entrants and Salary Increments	-	-
Deductions - Payments to Participants	-	-
<b>Balance August 31, 2016</b>	<b>\$ -</b>	<b>\$ -</b>

## **L. DEFINED BENEFIT PENSION PLAN**

### **a. Plan Description**

Millsap Independent School District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (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.

### **b. Pension Plan Fiduciary Net Position**

Detail information about the Teacher Retirement System'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 on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

### **c. 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 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 date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (A) above.

### **d. 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 the particular action, the time required to amortize TRS' 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 83<sup>rd</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83<sup>rd</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84<sup>th</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

	Contribution Rates	
	2015	2016
Member	6.7%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
2015 Employer Contributions		\$ 143,241
2015 Member Contributions		\$ 396,850
2015 NECE On-Behalf Contributions		\$ 282,028
<u>Payments made by the State On-Behalf of the District for Medicare, Part D:</u>		
Fiscal year 2014 Medicare, Part D On-Behalf		\$ 12,257
Fiscal year 2015 Medicare, Part D On-Behalf		\$ 20,760
Fiscal year 2016 Medicare, Part D On-Behalf		\$ 16,141

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 the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

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

In addition to the employer contributions listed above, there 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.



**e. Actuarial Assumptions**

The total pension liability in the August 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

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Valuation Date	August 31, 2015
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	3.5 % to 9.5%
Payroll Growth Rate	2.50%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

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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.

**f. 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 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%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2015 are summarized below:

Teacher Retirement System of Texas  
Asset Allocation and Long-Term Expected Real Rate of Return  
As of August 31, 2015

	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns (1)
<b>Global Equity</b>			
U.S.	18.0%	4.6%	1.0%
Non-U.S.Developed	13.0%	5.1%	0.8%
Emergin Markets	9.0%	5.9%	0.7%
Directional Hedge Funds	4.0%	3.2%	0.1%
Private Equity	13.0%	7.0%	1.1%
<b>Stable Value</b>			
U.S. Treasuries	11.0%	0.7%	0.1%
Absolute Return	0.0%	1.8%	0.0%
Hedge Funds (Stable Value)	4.0%	3.0%	0.1%
Cash	1.0%	-0.2%	0.0%
<b>Real Return</b>			
Global Inflation-Linked Bonds	3.0%	0.9%	0.0%
Real Assets	16.0%	5.1%	1.1%
Energy & Natural Resources	3.0%	6.6%	0.2%
Commodities	0.0%	1.2%	0.0%
<b>Risk Parity</b>			
Risk Parity	5.0%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
<b>Total</b>	<b>100.0%</b>		<b>8.7%</b>

(1) The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

**g. Discount Rate Sensitivity Analysis**

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2015 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of the net pension liability:	\$ 2,355,179	\$ 1,503,167	\$ 793,494

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

At August 31, 2016, the Millsap Independent School District reported the liability for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the Millsap Independent School District. The amount recognized by the Millsap Independent School 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 Millsap Independent School District were as follows:

District's proportionate share of the collective net pension liability	\$ 1,503,167
State's proportionate share that is associated with the District	<u>3,365,824</u>
Total	<u>\$ 4,868,991</u>

The net pension liability was measured as of August 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2014 thru August 31, 2015.

At August 31, 2015 the employer's proportion of the collective net pension liability and the percentage increase (decrease) from its proportion measured as of August 31, 2014 are shown in the required supplementary information in Exhibit G-2.

**Changes Since the Prior Actuarial Valuation** – The following are changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

Economic Assumptions

1. The inflation assumption was decreased from 3.00% to 2.50%.
2. The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
3. In accordance with the observed experience, there were small adjustments in the service- based promotional/longevity component of the salary scale.
4. The payroll growth assumption was lowered from 3.50% to 2.50%.

Mortality Assumptions

5. The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
6. The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
7. The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

Other Demographic Assumptions

8. Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.

9. There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.

10. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.

11. Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.

12. For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

#### Actuarial Methods and Policies

13. The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

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, 2016, the Millsap Independent School district recognized the following:

Year Ended August 31, 2016 pension expense	\$ 479,576
Revenue for support provided by the State	<u>\$ 479,576</u>

At August 31, 2016, the Millsap Independent School 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experiences	\$ 7,591	\$ 57,768
Changes in actuarial assumptions	31,904	53,626
Differences between projected and actual investment earnings	234,914	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	466,857	435
Total as of August 31, 2015 measurement date	\$ 741,266	\$ 111,829
Contributions paid to TRS subsequent to the measurement date	143,241	
Total as of fiscal year-end	\$ 884,507	\$ 111,829

The net amounts of the employer'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 Expense Amount</u>
2017	\$ 115,588
2018	115,588
2019	115,587
2020	160,683
2021	67,664
Thereafter	<u>54,327</u>

**M. HEALTH CARE COVERAGE**

The District provided health insurance coverage for employees under the provisions of the Teacher Retirement System of Texas (TRS) active care health insurance plan during the current year. The District paid premiums per month per employee to the plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. The plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

**N. CHANGES IN LONG-TERM LIABILITIES**

Long-term activity as shown in the Statement of Net Position at year end was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Within One Year</b>
<b>Governmental Activities:</b>					
Bonds and Notes Payable:					
General Obligation Bonds	\$20,588,470	\$ 2,349,000	\$ 2,873,415	\$20,064,055	\$455,442
Maintenance Tax Notes	1,521,000	-	118,000	1,403,000	125,000
Unamortized Prem/Disc - Bonds	2,004,796	292,303	131,327	2,165,772	-
<b>Total Bonds and Notes Payable</b>	<b>\$24,114,266</b>	<b>\$ 2,641,303</b>	<b>\$ 3,122,742</b>	<b>\$23,632,827</b>	<b>\$580,442</b>
Other Liabilities:					
Vested Vacation Benefits	\$ 8,298	\$ -	\$ 8,298	\$ -	\$ -
Net Pension Liability TRS	590,161	1,503,167	590,161	1,503,167	-
Interest Accretion-CAB Bonds	892,901	43,768	126,586	810,083	-
Accrued Interest Payable	62,102	52,808	62,102	52,808	52,808
<b>Total Other Liabilities</b>	<b>\$ 1,553,462</b>	<b>\$ 1,599,743</b>	<b>\$ 787,147</b>	<b>\$ 2,366,058</b>	<b>\$ 52,808</b>
<b>Total Governmental Activities Long-Term Liabilities</b>	<b>\$25,667,728</b>	<b>\$ 4,241,046</b>	<b>\$ 3,909,889</b>	<b>\$25,998,885</b>	<b>\$633,250</b>
<b>Business-type Activities:</b>					
Bonds and Notes Payable:					
Food Service	\$ -	\$ -	\$ -	\$ -	\$ -
Less Deferred Amounts	-	-	-	-	-
<b>Total Bonds &amp; Notes Payable</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Other Liabilities:					
Compensated Absences	\$ -	\$ -	\$ -	\$ -	\$ -
Other Long-term Liabilities	-	-	-	-	-
<b>Total Other Liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Business-type Activities Long- Term Liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**O. DEFERRED INFLOWS - UNEARNED REVENUE GOVERNMENTAL FUND STATEMENTS**

Unavailable revenue at year-end consisted of the following:

	<b>General Fund</b>	<b>Special Revenue Funds</b>	<b>Debt Service Fund</b>	<b>Total</b>
Unavailable Tax Revenue	\$ 163,244	\$ -	\$ 58,321	\$ 221,565
State and Federal Grants	-	-	-	-
<b>Total Unearned Revenue</b>	<b>\$ 163,244</b>	<b>\$ -</b>	<b>\$ 58,321</b>	<b>\$ 221,565</b>

**P. DUE FROM OTHER GOVERNMENTS**

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments at year end are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as “Due from State Agencies” except for some federal programs which are received directly from the federal government for grants such as the REAP Program.

<b>FUND</b>	<b>Due From State - Foundation Entitlements</b>	<b>Due From State - State &amp; Federal Grants</b>	<b>Due From Other Governments</b>	<b>Total</b>
General	\$ 724,611	\$ -	\$ 5,359	\$ 729,970
Special Revenue	-	29,570	-	29,570
Debt Service	58,166	-	1,474	59,640
<b>Total</b>	<b>\$ 782,777</b>	<b>\$ 29,570</b>	<b>\$ 6,833</b>	<b>\$ 819,180</b>

**Q. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES**

During the current year, revenues from local and intermediate sources consisted of the following:

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Total</b>
Property Taxes	\$ 3,491,706	\$ -	\$ 1,477,134	\$ -	\$ 4,968,840
Penalties, Interest and Other Tax- Related Income	35,379	-	13,797	-	49,176
Investment Income	27,501	-	5,200	-	32,701
Food Sales	-	281,933	-	-	281,933
Co-curricular Student Activities	35,592	191,751	-	-	227,343
Insurance Recovery, SSA, & Other	225,247	-	-	-	225,247
<b>Totals</b>	<b>\$ 3,815,425</b>	<b>\$473,684</b>	<b>\$1,496,131</b>	<b>\$ -</b>	<b>\$ 5,785,240</b>

**R. LITIGATION**

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is aware of pending exposure to claims related to these areas; however, legal counsel and the District do not expect any financial exposure to assets of the District.

**S. CONSTRUCTION & OTHER SIGNIFICANT COMMITMENTS & CONTINGENCIES**

The District at year end had not incurred or made any additional commitments and/or contingencies in connection with construction or other areas of significance.

**T. JOINT VENTURE-SHARED SERVICE ARRANGEMENTS**

Shared Services Arrangement	Type of Services	Fiscal Agent	Funding Source	Fiscal Agent Special Revenue Fund	District Special Revenue Fund	Program Expenditures Current Year
Parker County Coop	Special Education	Peaster ISD	Special Education	437	N.A.	\$ 177,633
<b>TOTAL FUNCTION 93 EXPENDITURES</b>						<b>\$ 177,633</b>

The District also participates in shared service arrangements with other school districts for various educational activities. In addition to the District, other member districts participate in the educational cooperatives and the fiscal agent provides SSA services. Peaster Independent School District is the fiscal agent for the SSA. The funding for each activity is received by the fiscal agent from the grantor agency. The fiscal agent then provides the funds to the member districts. According to guidance provided in TEA's Resource Guide, the Fiscal Agent has accounted for the fiscal agent's activities of the SSA in a Special Revenue Fund. The Shared Services Arrangements has been accounted for using Model 1 in the SSA section of the TEA Resource Guide. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, nor does the district have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. Presented below are the shared service arrangements in which the District participates and the extent of funding received and expended under each program.

Shared Services Arrangement	Type of Services	Fiscal Agent	Funding Source	Fiscal Agent Special Revenue Fund	District Special Revenue Fund	Program Expenditures Current Year
Parker County Coop	Special Education	Peaster ISD	IDEA, Part B - Formula	313	224	\$ -
Parker County Coop	Special Education	Peaster ISD	IDEA, Part B - PreSchool	314	225	\$ 2,820

**U. SUBSEQUENT EVENTS**

In preparing the basic financial statements, District administration has evaluated events and transactions for potential recognition or disclosure through **November 14, 2016**, the date this Annual Financial Report was issued. No material subsequent events have occurred from the current year end to the date this Financial Report was issued.

**V. RELATED ORGANIZATIONS**

The District at present does maintain an Educational Foundation (the "Foundation"). This entity was established as a not-for-profit entity to provide assistance and support for teachers and students to develop special programs and projects and other school district support activities. This entity is a "related organization" of the District as defined by *Governmental Accounting Standards Board Statement No. 14 as amended by Statements 39 and 61*.

**W. RELATED PARTY TRANSACTIONS**

The District incurs related party transactions with businesses owned or employers for various members of the board of trustees. The District did not incur any material reportable related party transactions or balances as of and during the current year end.

**X. FUND BALANCE / NET POSITION ADJUSTMENTS**

The District did not make a fund balance or net position adjustment during the current year.

<b>Governmental Fund Balance</b>	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Total</b>
Increase (Decrease) Beginning of Year	\$ -	\$ -	\$ -	\$ -
<b>Totals</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Government Wide Net Position</b>				
<b>Increase (Decrease) Beg. of Year Net Position:</b>				
Prior Period Adjustment				\$ -
<b>Totals</b>				<b>\$ -</b>

**Y. WORKERS COMPENSATION / PROPERTY & CASUALTY / UNEMPLOYMENT**

**Workers' Compensation Program**

In previous years, the District established a self-insurance plan for workers' compensation benefits as authorized by Section 504.011 of the Labor Code. The District participates in this plan (Public Workers' Compensation Program (PWCP) self-funded workers' compensation program) along with other participating entities. The District contributes annual amounts determined by PWCP. As claims arise, they are submitted to and paid by PWCP on behalf of the District under terms of a contractual agreement. According to state statute, the District is protected against unanticipated catastrophic claims and aggregate loss by coverage carried through a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code.

The costs associated with this self-insurance plan are reported as Inter-fund transactions to the extent of amounts actuarially determined. Accordingly, they are treated as operating revenues of the Internal Service Fund and operating expenditures of the General Fund. The liabilities of the plan include incurred but not reported claims. These liabilities reported in the funds at year end, are based on the requirements of Governmental Accounting Standards Board No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. These liabilities include an amount for claims that have been incurred but not reported.

Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors. Workers' compensation liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time were computed by an actuary and are reported at their present value using an expected future investment yield assumption.



Estimates of claims payable and of claims incurred, but not reported at August 31 are reflected by PWCP. The plan is funded to discharge liabilities of the Fund as they become due. The current fund balance maintained by PWCP is estimated by the fund to cover all liabilities for Millsap Independent School District as of August 31, 2016.

### **Property / Casualty Program**

During the year ended August 31, 2016, the District participated in the TASB Risk Management Fund's (the Fund's) Property Casualty Program with coverage for the following: 1) Crime, 2) Equipment Breakdown, 3) Property, 4) General Liability, 5) Sexual Misconduct Endorsement, 6) School Professional Legal Liability, 7) Auto Liability, and 8) Auto Physical Damage.

The fund was created and is operated under the provision of the Inter-local Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Inter-local Agreements that define the responsibilities of the parties.

The Fund purchase stop-loss coverage for protection against catastrophic and larger than anticipated claims for the Property Casualty Program. The terms and limits of the stop-loss program vary by line of coverage. The Fund used the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2016, the Fund anticipates that the District has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is approved by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2016, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

### **Unemployment Compensation Program**

During the year ended August 31, 2016, the District provided unemployment compensation coverage to its employees through participation in the (Edwards Risk Unemployment Compensation Program. The Fund was created and is operated under the provisions of the Inter-local Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's unemployment compensation program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Inter-local Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligations to the Texas Workforce Commission. Expenses are accrued each month until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for Unemployment Compensation pool members.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2016, are available at the PWCP offices and have been filed with the Texas Department of Insurance in Austin.

**Z. SCHOOL DISTRICT RETIREE HEALTH PLAN**

**Plan Description.** Millsap Independent School District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas (TRS). TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS Web site at [www.trs.state.tx.us](http://www.trs.state.tx.us), by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, or by calling the TRS Communications Department at 1-800-223-8778.

**Funding Policy.** Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contributions rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55%. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the last three years, the State’s contributions to TRS-Care, the active member contributions, and the school District’s contributions are listed below. Respectively, these contributions equaled the required contributions each year.

<b>Contribution Rates and Contribution Amounts</b>						
	<b>Member</b>		<b>District</b>		<b>State On-Behalf</b>	
<b>Year</b>	<b>Rate</b>	<b>Amount</b>	<b>Rate</b>	<b>Amount</b>	<b>Rate</b>	<b>Amount</b>
2016	0.65%	\$ 35,827	0.55%	\$30,315	1.00%	\$ 55,118
2015	0.65%	\$ 32,426	0.55%	\$27,437	1.00%	\$ 49,886
2014	0.65%	\$ 27,885	0.55%	\$23,595	1.00%	\$ 42,900

**REQUIRED SUPPLEMENTARY INFORMATION**

MILLSAP INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 3,582,378	\$ 3,898,343	\$ 3,815,425	\$ (82,918)
5800	State Program Revenues	4,860,164	5,430,767	5,452,688	21,921
5900	Federal Program Revenues	6,001	179,891	173,098	(6,793)
5020	Total Revenues	8,448,543	9,509,001	9,441,211	(67,790)
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	4,476,974	4,888,708	4,794,664	94,044
0012	Instructional Resources and Media Services	102,452	119,657	111,520	8,137
0013	Curriculum and Instructional Staff Development	39,782	39,782	30,421	9,361
0023	School Leadership	523,208	553,283	549,336	3,947
0031	Guidance, Counseling and Evaluation Services	186,544	193,344	192,202	1,142
0033	Health Services	99,974	111,674	111,175	499
0034	Student (Pupil) Transportation	301,834	429,046	405,460	23,586
0035	Food Services	15,179	16,179	13,499	2,680
0036	Extracurricular Activities	434,040	449,840	426,346	23,494
0041	General Administration	679,901	775,606	738,825	36,781
0051	Facilities Maintenance and Operations	1,190,304	1,513,465	1,332,223	181,242
0053	Data Processing Services	12,201	12,201	12,138	63
Debt Service:					
0071	Principal on Long Term Debt	118,001	118,001	118,000	1
0072	Interest on Long Term Debt	83,504	83,504	83,503	1
0073	Bond Issuance Cost and Fees	6,500	9,000	3,612	5,388
Capital Outlay:					
0081	Facilities Acquisition and Construction	510	154,272	119,186	35,086
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	177,635	177,635	177,633	2
6030	Total Expenditures	8,448,543	9,645,197	9,219,743	425,454
1200	Net Change in Fund Balances	-	(136,196)	221,468	357,664
0100	Fund Balance - September 1 (Beginning)	3,360,625	3,360,625	3,360,625	-
3000	Fund Balance - August 31 (Ending)	\$ 3,360,625	\$ 3,224,429	\$ 3,582,093	\$ 357,664

MILLSAP INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT G-2

	<u>2016</u>	<u>2015</u>
District's Proportion of the Net Pension Liability (Asset)	0.0042524%	0.0022094%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 1,503,167	\$ 590,161
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	3,365,824	2,750,380
Total	<u>\$ 4,868,991</u>	<u>\$ 3,340,541</u>
District's Covered-Employee Payroll	\$ 4,988,621	\$ 4,615,030
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	30.13%	12.79%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.43%	83.25%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2015 for Year 2016 and August 31, 2014 for 2015.

Note: In accordance with GASB 68, Paragraph 138, only two years of data are presented this reporting period. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

MILLSAP INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DISTRICT CONTRIBUTIONS  
 TEACHER RETIREMENT SYSTEM OF TEXAS  
 FOR FISCAL YEAR 2016

EXHIBIT G-3

	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 143,241	\$ 125,915
Contribution in Relation to the Contractually Required Contribution	(143,241)	(125,915)
Contribution Deficiency (Excess)	<u>\$ -0-</u>	<u>\$ -0-</u>
District's Covered-Employee Payroll	\$ 5,511,808	\$ 4,988,621
Contributions as a Percentage of Covered-Employee Payroll	2.60%	2.52%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31, 2014 for Fiscal Year 2015 and August 31, 2015 for Fiscal Year 2016.

Note: In accordance with GASB 68, Paragraph 138, only two years of data are presented this reporting period. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

**MILLSAP INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED AUGUST 31, 2016**

**Changes of benefit terms**

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

**Changes of assumptions**

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

**Economic Assumptions**

- 1 The inflation assumption was decreased from 3.00% to 2.50%.
- 2 The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
- 3 In accordance with the observed experience, there were small adjustments in the service-based promotional/longevity component of the salary scale.
- 4 The payroll growth assumption was lowered from 3.50% to 2.50%.

**Mortality Assumptions**

5. The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
6. The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
7. The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

**Other Demographic Assumptions**

8. Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
9. There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
10. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
11. Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
12. For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

**Actuarial Methods and Policies**

The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

**OTHER SUPPLEMENTARY INFORMATION –  
COMBINING SCHEDULES**



MILLSAP INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2016

Data Control Codes	211 ESEA I, A Improving Basic Program	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ 8,024	\$ -
1240	Receivables from Other Governments	9,339	-	9,564	-
1000	<b>Total Assets</b>	<u>\$ 9,339</u>	<u>\$ -</u>	<u>\$ 17,588</u>	<u>\$ -</u>
<b>LIABILITIES</b>					
2160	Accrued Wages Payable	\$ 5,016	\$ -	\$ -	\$ -
2170	Due to Other Funds	3,837	-	-	-
2200	Accrued Expenditures	486	-	-	-
2000	<b>Total Liabilities</b>	<u>9,339</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	17,588	-
Assigned Fund Balance:					
3590	Other Assigned Fund Balance	-	-	-	-
3000	<b>Total Fund Balances</b>	<u>-</u>	<u>-</u>	<u>17,588</u>	<u>-</u>
4000	<b>Total Liabilities and Fund Balances</b>	<u>\$ 9,339</u>	<u>\$ -</u>	<u>\$ 17,588</u>	<u>\$ -</u>

255 ESEA II,A Training and Recruiting	265 Title IV, B Community Learning	397 Advanced Placement Incentives	410 State Textbook Fund	429 Other State Special Revenue Funds	461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 40,038	\$ -	\$ 67,638	\$ 115,700
10,667	-	-	-	-	-	29,570
<u>\$ 10,667</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,038</u>	<u>\$ -</u>	<u>\$ 67,638</u>	<u>\$ 145,270</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,016
10,667	-	-	-	-	-	14,504
-	-	-	-	-	-	486
<u>10,667</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,006</u>
-	-	-	40,038	-	-	57,626
-	-	-	-	-	67,638	67,638
-	-	-	40,038	-	67,638	125,264
<u>\$ 10,667</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,038</u>	<u>\$ -</u>	<u>\$ 67,638</u>	<u>\$ 145,270</u>

MILLSAP INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	211 ESEA I, A Improving Basic Program	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ 281,933	\$ -
5800 State Program Revenues	-	-	2,247	-
5900 Federal Program Revenues	81,847	2,820	267,294	4,975
5020 Total Revenues	<u>81,847</u>	<u>2,820</u>	<u>551,474</u>	<u>4,975</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	81,347	2,820	-	4,975
0013 Curriculum and Instructional Staff Development	500	-	-	-
0023 School Leadership	-	-	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	531,807	-
0036 Extracurricular Activities	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	43,280	-
0061 Community Services	-	-	-	-
6030 Total Expenditures	<u>81,847</u>	<u>2,820</u>	<u>575,087</u>	<u>4,975</u>
1200 Net Change in Fund Balance	-	-	(23,613)	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>41,201</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,588</u>	<u>\$ -</u>

255 ESEA II,A Training and Recruiting	265 Title IV, B Community Learning	397 Advanced Placement Incentives	410 State Textbook Fund	429 Other State Special Revenue Funds	461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 191,751	\$ 473,684
-	-	1,800	46,295	700	-	51,042
18,681	226,948	-	-	-	-	602,565
<u>18,681</u>	<u>226,948</u>	<u>1,800</u>	<u>46,295</u>	<u>700</u>	<u>191,751</u>	<u>1,127,291</u>
-	95,607	1,800	23,438	800	-	210,787
18,353	-	-	-	-	-	18,853
328	93,374	-	-	-	-	93,702
-	27,434	-	-	-	-	27,434
-	-	-	-	-	-	531,807
-	-	-	-	-	211,695	211,695
-	9,828	-	-	-	-	53,108
-	705	-	-	-	-	705
<u>18,681</u>	<u>226,948</u>	<u>1,800</u>	<u>23,438</u>	<u>800</u>	<u>211,695</u>	<u>1,148,091</u>
-	-	-	22,857	(100)	(19,944)	(20,800)
-	-	-	17,181	100	87,582	146,064
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,038</u>	<u>\$ -</u>	<u>\$ 67,638</u>	<u>\$ 125,264</u>

MILLSAP INDEPENDENT SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 AGENCY FUND  
 FOR THE YEAR ENDED AUGUST 31, 2016

	BALANCE SEPTEMBER 1 2015	ADDITIONS	DEDUCTIONS	BALANCE AUGUST 31 2016
<b>STUDENT ACTIVITY ACCOUNT</b>				
Assets:				
Cash and Temporary Investments	\$ 21,414	\$ 94,358	\$ 93,368	\$ 22,404
Liabilities:				
Due to Student Groups	\$ 21,414	\$ 94,358	\$ 93,368	\$ 22,404
<b>TOTAL AGENCY FUNDS</b>				
Assets:				
Cash and Temporary Investments	\$ 21,414	\$ 94,358	\$ 93,368	\$ 22,404
Liabilities:				
Due to Student Groups	\$ 21,414	\$ 94,358	\$ 93,368	\$ 22,404

**REQUIRED TEA SCHEDULES**

MILLSAP INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED AUGUST 31, 2016

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2007 and prior years	Various	Various	\$ Various
2008	1.040000	0.495000	240,741,650
2009	1.040000	0.495000	261,348,860
2010	1.040000	0.495000	285,608,274
2011	1.170000	0.495000	290,866,726
2012	1.170000	0.495000	272,555,195
2013	1.170000	0.495000	277,989,806
2014	1.170000	0.495000	277,941,765
2015	1.170000	0.495000	290,199,996
2016 (School year under audit)	1.170000	0.495000	297,033,052
1000 TOTALS			

(10) Beginning Balance 9/1/2015	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2016
\$ 71,827	\$ -	\$ 1,201	\$ 276	\$ (15,063)	\$ 55,287
4,247	-	476	226	-	3,545
6,053	-	616	293	(1)	5,143
10,325	-	914	435	-	8,976
11,691	-	1,345	569	(168)	9,609
12,754	-	15,378	6,506	20,201	11,071
30,199	-	15,507	6,561	19,133	27,264
47,366	-	16,294	6,894	13,844	38,022
75,261	-	35,339	14,951	10,991	35,962
-	4,945,600	3,404,636	1,440,423	-	100,541
<u>\$ 269,723</u>	<u>\$ 4,945,600</u>	<u>\$ 3,491,706</u>	<u>\$ 1,477,134</u>	<u>\$ 48,937</u>	<u>\$ 295,420</u>



MILLSAP INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
 FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 260,610	\$ 339,610	\$ 281,933	\$ (57,677)
5800 State Program Revenues	2,100	2,600	2,247	(353)
5900 Federal Program Revenues	227,824	277,324	267,294	(10,030)
5020 Total Revenues	490,534	619,534	551,474	(68,060)
<b>EXPENDITURES:</b>				
0035 Food Services	490,107	577,107	531,807	45,300
0051 Facilities Maintenance and Operations	427	42,427	43,280	(853)
6030 Total Expenditures	490,534	619,534	575,087	44,447
1200 Net Change in Fund Balances	-	-	(23,613)	(23,613)
0100 Fund Balance - September 1 (Beginning)	41,201	41,201	41,201	-
3000 Fund Balance - August 31 (Ending)	\$ 41,201	\$ 41,201	\$ 17,588	\$ (23,613)

MILLSAP INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - DEBT SERVICE FUND  
 FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 1,480,381	\$ 1,514,381	\$ 1,496,131	\$ (18,250)
5800	State Program Revenues	286	46,686	104,756	58,070
5020	Total Revenues	1,480,667	1,561,067	1,600,887	39,820
<b>EXPENDITURES:</b>					
Debt Service:					
0071	Principal on Long Term Debt	478,418	478,418	523,414	(44,996)
0072	Interest on Long Term Debt	921,326	921,326	870,616	50,710
0073	Bond Issuance Cost and Fees	80,923	153,323	72,484	80,839
6030	Total Expenditures	1,480,667	1,553,067	1,466,514	86,553
1100	Excess of Revenues Over Expenditures	-	8,000	134,373	126,373
<b>OTHER FINANCING SOURCES (USES):</b>					
7911	Capital Related Debt Issued (Regular Bonds)	-	2,357,000	2,349,000	(8,000)
7916	Premium or Discount on Issuance of Bonds	-	300,000	292,303	(7,697)
8949	Other (Uses)	-	(2,665,000)	(2,568,819)	96,181
7080	Total Other Financing Sources (Uses)	-	(8,000)	72,484	80,484
1200	Net Change in Fund Balances	-	-	206,857	206,857
0100	Fund Balance - September 1 (Beginning)	446,899	446,899	446,899	-
3000	Fund Balance - August 31 (Ending)	\$ 446,899	\$ 446,899	\$ 653,756	\$ 206,857

**REPORTS ON COMPLIANCE AND INTERNAL CONTROLS**

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# James E. Rodgers and Company, P.C.

Certified Public Accountants

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Richard E. Rodgers CPA • Gerald L. Rodgers CPA

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November 14, 2016

## 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*

To the Board of Trustees  
Millsap Independent School District  
Millsap, Texas 76066

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, as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise Millsap Independent School District's basic financial statements, and have issued our report thereon dated November 14, 2016.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Millsap Independent School 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 Millsap Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Millsap Independent School 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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.

# James E. Rodgers and Company, P.C.

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## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Millsap Independent School 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

*James E. Rodgers and Company*

James E. Rodgers and Company, P.C.

**MILLSAP INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED AUGUST 31, 2016**

**I. Summary of the Auditor's Results:**

1. Type of report issued on the financial statements - **Unmodified opinion.**
2. Significant deficiencies in internal control – **None** / Significant deficiencies that were material weaknesses - **None.**
3. Noncompliance, which is material to the financial statements – **None.**

**II. Findings Relating to the Financial Statements Which Are Required to Be Reported in Accordance with *Generally Accepted Government Auditing Standards (GAGAS)*.**

**Finding 2016-001:**

- |                       |     |
|-----------------------|-----|
| a. Condition:         | N/A |
| b. Criteria:          | N/A |
| c. Cause:             | N/A |
| d. Effect:            | N/A |
| e. Recommendation:    | N/A |
| f. District Response: | N/A |