

MILLSAP
INDEPENDENT SCHOOL DISTRICT
PARKER COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2015

**MILLSAP INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2015**

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CERTIFICATE OF BOARD

Millsap Independent School District _____ Name of School District	Parker _____ County	184-904 _____ County – District Number
--	----------------------------------	---

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) approved _____ disapproved for the year ended **August 31, 2015**, at a meeting of the Board of Trustees of such school district on the **23rd** day of **November, 2015**.

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)

James E. Rodgers and Company, P.C.

Certified Public Accountants

20 Southwest Third Street • PO Box 669 • Hamlin, Texas 79520 • Tel: 325-576-2356 • Fax: 325-576-3525

E-mail: rodgerscpa@att.net

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

Richard E. Rodgers CPA • Gerald L. Rodgers CPA

November 23, 2015

Unmodified Report on Financial Statements Issued in Accordance with Government Auditing Standards and a Single Audit 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, 2015, 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.

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, 2015, 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. Exhibit B-1 discloses the adjustment to the District's Beginning Net Position. 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 nonmajor 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-4, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the Texas Education Agency required information in conformity with laws and regulations of the state of Texas in Exhibits J-1 through J-4, and the schedule of expenditures of federal awards 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 nonmajor fund financial statements

James E. Rodgers and Company, P.C.

and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The fund balance and cash flow calculation worksheet in Exhibit J-2 marked as unaudited has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2015, 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, 2015. 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	\$	1,542,625
Total District Revenues for the Current Fiscal Year	\$	10,995,803
Total District Expenses for the Current Fiscal Year	\$	10,676,867
Fund Balance in the General Fund at the End of Year	\$	3,360,625

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	\$ (349,719)	-18.48%
<u>Revenue Changes:</u>		
Change in the District's Total Revenues	\$ 1,066,817	10.74%
Change in the District's Property Tax Revenues	\$ 232,274	4.97%
Change in the District's State Aid Formula Grants	\$ 623,994	16.22%
Change in Operating Grants and Contributions	\$ (46,185)	-4.59%
<u>Expense Changes:</u>		
Change in the District's Total Expenses	\$ 625,152	6.22%
<u>Other Information:</u>		
Change in the District's General Fund Balance	\$ 472,879	16.38%
Excess (Deficit) of Actual Revenue over Budgeted Revenue	\$ 40,913	0.49%

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

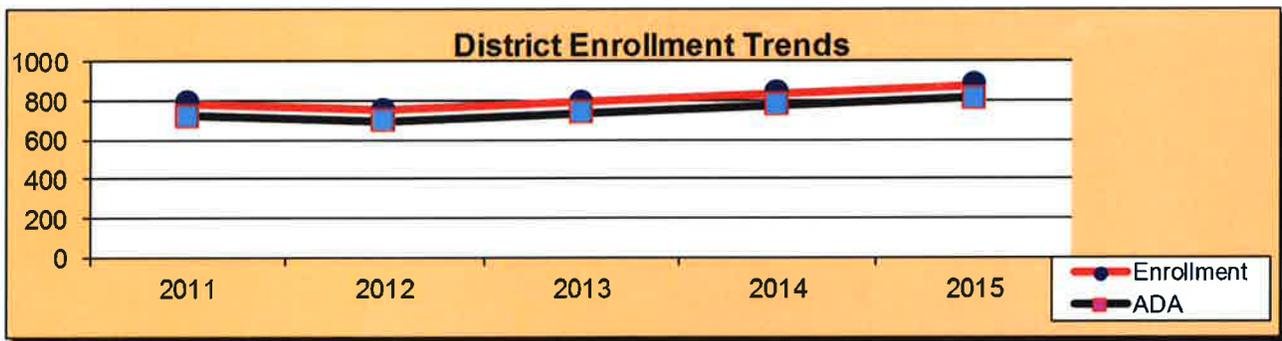
The District is the trustee, or fiduciary, for money raised by student activities and alumni scholarship programs. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position (Exhibit E-1). We exclude these resources from the District's other financial statements 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
2011	789	720.0
2012	750	699.0
2013	791	737.5
2014	836	777.1
2015	878	814.5



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

	Governmental Activities		Business-Type Activities		Totals	
	2014	2015	2014	2015	2014	2015
Current and other assets	\$ 3,823,893	\$ 4,434,015	\$ -	\$ -	\$ 3,823,893	\$ 4,434,015
Capital assets	22,452,973	21,647,804	-	-	22,452,973	21,647,804
Deferred Outflows of Resources	215,843	1,587,200	-	-	215,843	1,587,200
Total assets & deferred outflows	\$26,492,709	\$27,669,019	\$ -	\$ -	\$26,492,709	\$27,669,019
Long-term liabilities	\$24,359,378	\$25,667,728	\$ -	\$ -	\$24,359,378	\$25,667,728
Other liabilities	240,987	278,134	-	-	240,987	278,134
Deferred Inflows of Resources	-	180,532	-	-	-	180,532
Total liabilities & deferred inflows	\$24,600,365	\$26,126,394	\$ -	\$ -	\$24,600,365	\$26,126,394
Net Position:						
Net Investment in capital assets	\$ (890,949)	\$ (1,945,566)	\$ -	\$ -	\$ (890,949)	\$ (1,945,566)
Restricted	388,153	443,279	-	-	388,153	443,279
Unrestricted	2,395,140	3,044,912	-	-	2,395,140	3,044,912
Total net position	\$ 1,892,344	\$ 1,542,625	\$ -	\$ -	\$ 1,892,344	\$ 1,542,625

The following table indicates the changes in net position of the District during 2014 and 2015.

Table II MILLSAP INDEPENDENT SCHOOL DISTRICT Changes in Net Position						
	Governmental Activities		Business-Type Activities		Totals	
	2014	2015	2014	2015	2014	2015
Program Revenues:						
Charges for Services	\$ 484,648	\$ 547,257	\$ -	\$ -	\$ 484,648	\$ 547,257
Operating grants & contributions	1,006,731	960,546	-	-	1,006,731	960,546
General Revenues:						
Maintenance & operations taxes	3,284,674	3,444,324	-	-	3,284,674	3,444,324
Debt service taxes	1,387,513	1,460,137	-	-	1,387,513	1,460,137
State aid - formula grants	3,846,636	4,470,630	-	-	3,846,636	4,470,630
Grants and contributions not restricted to specific functions	-	-	-	-	-	-
Investment earnings	38,967	32,174	-	-	38,967	32,174
Miscellaneous	(120,183)	80,735	-	-	(120,183)	80,735
Total Revenues	\$ 9,928,986	\$10,995,803	\$ -	\$ -	\$ 9,928,986	\$10,995,803
Expenses						
Instruction, curriculum & media services	\$ 4,979,649	\$ 5,269,797	\$ -	\$ -	\$ 4,979,649	\$ 5,269,797
Instructional & school leadership	555,963	593,195	-	-	555,963	593,195
Student support services	464,102	605,257	-	-	464,102	605,257
Food Service	495,141	492,448	-	-	495,141	492,448
Extracurricular activities	570,982	690,798	-	-	570,982	690,798
General administration & data processing	512,945	617,000	-	-	512,945	617,000
Plant maintenance & security	1,177,554	1,121,912	-	-	1,177,554	1,121,912
Interest on long term debt	1,123,912	1,115,256	-	-	1,123,912	1,115,256
Other business-type activities & intergovernmental	171,467	171,204	-	-	171,467	171,204
Total Expenses	\$ 10,051,715	\$10,676,867	\$ -	\$ -	\$ 10,051,715	\$10,676,867
Increase in net position before transfers and special items	\$ (122,729)	\$ 318,936	\$ -	\$ -	\$ (122,729)	\$ 318,936
Transfers	-	-	-	-	-	-
Extraordinary & special items	-	-	-	-	-	-
Prior period adjustment - GASB 68 Pension Reporting	-	(668,655)	-	-	-	(668,655)
Net position at 9/1	2,015,073	1,892,344	-	-	2,015,073	1,892,344
Total Net Position	\$ 1,892,344	\$ 1,542,625	\$ -	\$ -	\$ 1,892,344	\$ 1,542,625

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

Excess of Revenues Over Expenditures for Governmental Funds	\$ 606,726
Change in Net Position of Internal Service Funds	-
Current Year Purchases of Capital Assets	111,372
Current Year Debt Principal Payments	710,722
Depreciation	(916,541)
Reclassification of bond and long term debt proceeds as increase in debt	-
Other Modified to Full Accrual Revenue Adjustments	(264,708)
Net Adjustment To Pension Expense Per GASB 68	71,365
Change in Net Position of Governmental Activities	\$ 318,936

THE DISTRICT'S FUNDS

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

Governmental Fund Financial Statements				
	General Fund	Special Revenue Funds	Debt Service Fund	Total
Revenues	\$ 8,416,642	\$ 1,112,673	\$ 1,497,554	\$ 11,026,869
Expenditures	(7,943,763)	(1,081,310)	(1,627,295)	(10,652,368)
Other Financing Sources	-	-	18,876,437	18,876,437
Other Financing Uses	-	-	(18,644,212)	(18,644,212)
Net Change in Fund Balance	\$ 472,879	\$ 31,363	\$ 102,484	\$ 606,726
Beginning Fund Balance	2,887,746	114,701	344,415	3,346,862
Ending Fund Balance				
All Governmental Funds	\$ 3,360,625	\$ 146,064	\$ 446,899	\$ 3,953,588

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:

Basketball Court	\$	12,190
2007 Chevrolet C2500 Pickup		15,076
2003 Chevrolet C2500 Pickup		8,061
2006 Ford E450 Truck		11,244
2015 Chevrolet Traverse		27,767
2015 Ford Fusion		18,339
Grasshopper Mower		11,477
Rand Air Compressor System		7,218
TOTAL	\$	111,372
Total Additions	\$	111,372
Total Deletions		141,951
Net Change	\$	(30,579)

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 8/31/2015	Next Year's Total Principal and Interest Requirement
2005 Tax Refunding Bonds	3.00%-4.125%	\$ 5,664,999	\$ 5,693	\$ -	\$ -
2007 School Building Bonds	4.50%-4.70%	\$ 13,099,997	\$ 267,522	\$ 18,950	\$ 9,502
2008 School Building Bonds	4.85%-5.60%	\$ 2,399,998	\$ 126,113	\$ 2,399,998	\$ 9,879
2010 Maintenance Tax Notes	5.49%-5.49%	\$ 2,000,000	\$ 89,652	\$ 1,521,000	\$ 118,000
2011 Tax Refunding Bonds	1.65%-4.00%	\$ 1,579,998	\$ 48,650	\$ 1,340,000	\$ 115,000
2014 Tax Refunding Bonds	2.00%-4.00%	\$ 8,774,806	\$ 225,017	\$ 8,709,903	\$ 290,000
2015 Tax Refunding Bonds	0.50%-2.88%	\$ 8,502,478	\$ 125,724	\$ 8,119,619	\$ 54,034
Accreted Interest CAB Bonds	1.65%-5.60%		\$ 66,278	\$ 892,901	\$ 126,585
Totals		\$ 42,022,276	\$ 954,649	\$ 23,002,371	\$ 723,000

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

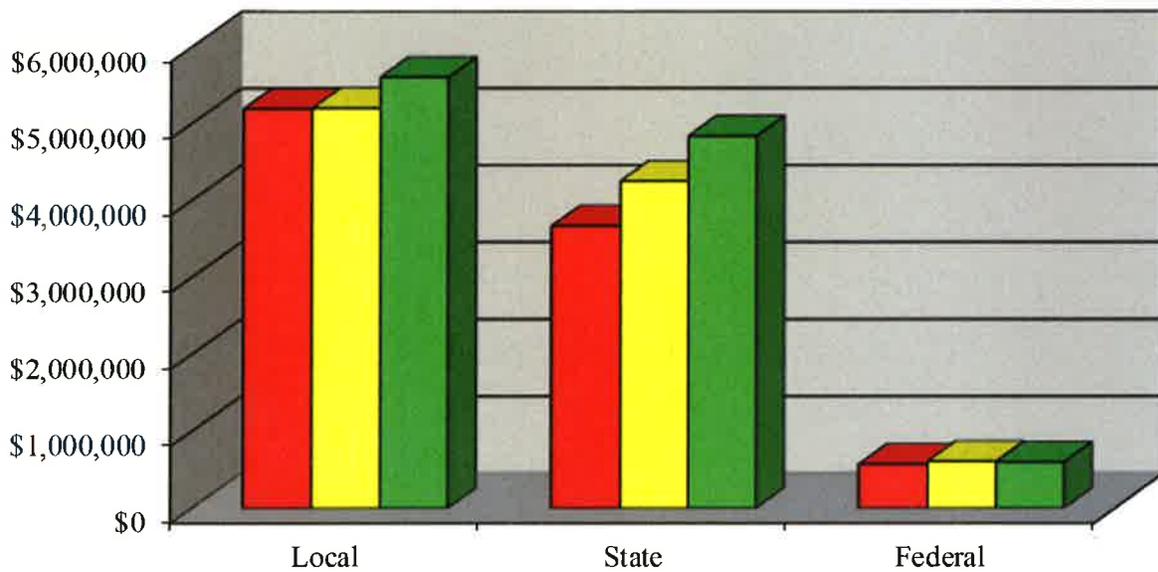
The District's elected and appointed officials considered many factors when setting the next fiscal year budget and tax rates. Those factors included a stable local economy and a slightly increasing average student population during the previous five years as indicated by the enrollment data on page 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 2015 - 2016 Adopted Budget				
	General Fund	Child Nutrition Fund	Debt Service Fund	TOTALS
Revenues	\$ 8,448,543	\$ 490,534	\$ 1,480,667	\$ 10,419,744
Expenditures	(8,448,543)	(490,534)	(1,480,667)	(10,419,744)
Other Financing Sources	-	-	-	-
Other Financing Uses	-	-	-	-
Net Change in Fund Balance	\$ -	\$ -	\$ -	\$ -
Beginning of Year Fund Balance	3,360,625	41,201	446,899	3,848,725
Projected End of Year Fund Balance	\$ 3,360,625	\$ 41,201	\$ 446,899	\$ 3,848,725

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

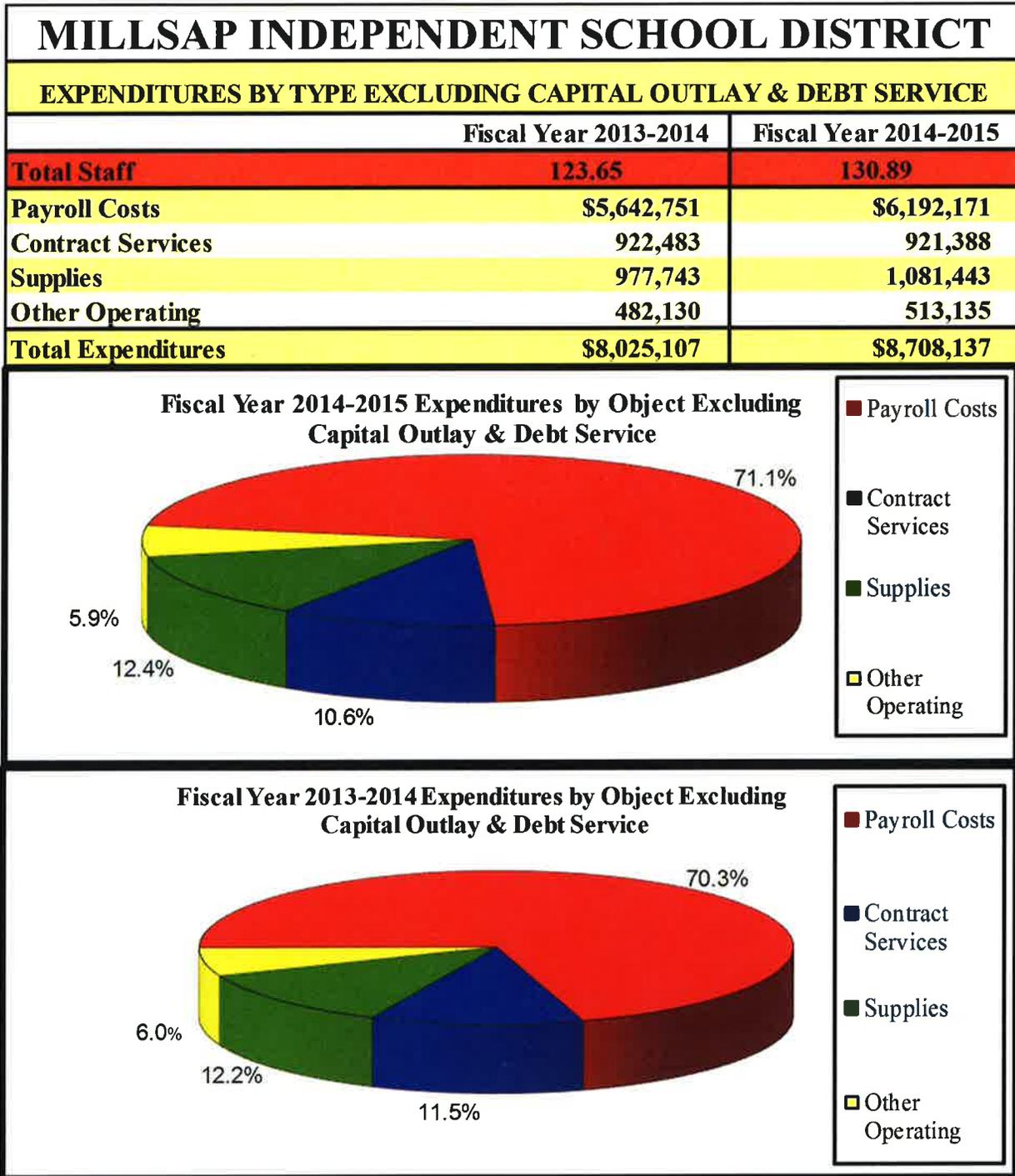
MILLSAP INDEPENDENT SCHOOL DISTRICT			
REVENUES BY SOURCE			
	Fiscal Year 2012-2013	Fiscal Year 2013-2014	Fiscal Year 2014-2015
ADA	737,481	777,069	814,516
Local	\$5,187,095	\$5,192,088	\$5,595,693
State	3,663,651	4,245,136	4,831,842
Federal	568,885	608,231	599,334
Total	\$9,419,631	\$10,045,455	\$11,026,869

Revenues by Source



■ Fiscal Year 2012-2013
 ■ Fiscal Year 2013-2014
 ■ Fiscal Year 2014-2015

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, 2015

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 762,415
1120 Current Investments	2,377,126
1220 Property Taxes Receivable (Delinquent)	269,723
1230 Allowance for Uncollectible Taxes	(67,431)
1240 Due from Other Governments	1,082,668
1250 Accrued Interest	3,185
1290 Other Receivables, net	6,329
Capital Assets:	
1510 Land	947,249
1520 Buildings, Net	20,305,344
1530 Furniture and Equipment, Net	389,827
1550 Leased Property Under Capital Leases, Net	5,384
1000 Total Assets	26,081,819
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge for Refunding	1,413,797
1705 Deferred Outflow Related to TRS	173,403
1700 Total Deferred Outflows of Resources	1,587,200
LIABILITIES	
2110 Accounts Payable	68,868
2160 Accrued Wages Payable	205,038
2200 Accrued Expenses	4,228
Noncurrent Liabilities	
2501 Due Within One Year	658,517
2502 Due in More Than One Year	24,419,050
2540 Net Pension Liability (District's Share)	590,161
2000 Total Liabilities	25,945,862
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS	180,532
2600 Total Deferred Inflows of Resources	180,532
NET POSITION	
3200 Net Investment in Capital Assets	(1,945,566)
3820 Restricted for Federal and State Programs	58,482
3850 Restricted for Debt Service	384,797
3900 Unrestricted	3,044,912
3000 Total Net Position	\$ 1,542,625

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, 2015

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
	Expenses	Charges for Services	4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 5,132,968	\$ 39,186	\$ 455,404	\$ (4,638,378)
12 Instructional Resources and Media Services	100,438	-	4,474	(95,964)
13 Curriculum and Staff Development	36,391	-	17,519	(18,872)
23 School Leadership	593,195	-	125,373	(467,822)
31 Guidance, Counseling and Evaluation Services	177,850	-	10,922	(166,928)
33 Health Services	75,124	-	3,893	(71,231)
34 Student (Pupil) Transportation	352,283	-	30,719	(321,564)
35 Food Services	492,448	263,845	240,355	11,752
36 Extracurricular Activities	690,798	243,796	9,998	(437,004)
41 General Administration	605,975	-	20,280	(585,695)
51 Facilities Maintenance and Operations	1,104,424	430	40,576	(1,063,418)
53 Data Processing Services	11,025	-	-	(11,025)
61 Community Services	1,033	-	1,033	-
72 Debt Service - Interest on Long Term Debt	881,490	-	-	(881,490)
73 Debt Service - Bond Issuance Cost and Fees	233,766	-	-	(233,766)
81 Capital Outlay	16,455	-	-	(16,455)
93 Payments related to Shared Services Arrangements	171,204	-	-	(171,204)
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 10,676,867</u>	<u>\$ 547,257</u>	<u>\$ 960,546</u>	<u>\$ (9,169,064)</u>
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			3,444,324
DT	Property Taxes, Levied for Debt Service			1,460,137
SF	State Aid - Formula Grants			4,470,630
IE	Investment Earnings			32,174
MI	Miscellaneous Local and Intermediate Revenue			80,735
TR	Total General Revenues			<u>9,488,000</u>
CN	Change in Net Position			318,936
NB	Net Position - Beginning			1,892,344
PA	Prior Period Adjustment			(668,655)
NE	Net Position--Ending			<u>\$ 1,542,625</u>

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

MILLSAP INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2015

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 533,223	\$ 70,069	\$ 159,123	\$ 762,415
1120 Investments - Current	2,031,857	345,269	-	2,377,126
1220 Property Taxes - Delinquent	199,926	69,797	-	269,723
1230 Allowance for Uncollectible Taxes (Credit)	(49,982)	(17,449)	-	(67,431)
1240 Receivables from Other Governments	1,034,540	28,953	19,175	1,082,668
1250 Accrued Interest	2,949	236	-	3,185
1260 Due from Other Funds	8,052	-	-	8,052
1290 Other Receivables	3,500	2,372	457	6,329
1000 Total Assets	<u>\$ 3,764,065</u>	<u>\$ 499,247</u>	<u>\$ 178,755</u>	<u>\$ 4,442,067</u>
LIABILITIES				
2110 Accounts Payable	\$ 48,277	\$ -	\$ 20,591	\$ 68,868
2160 Accrued Wages Payable	201,345	-	3,693	205,038
2170 Due to Other Funds	-	-	8,052	8,052
2200 Accrued Expenditures	3,873	-	355	4,228
2000 Total Liabilities	<u>253,495</u>	<u>-</u>	<u>32,691</u>	<u>286,186</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	149,945	52,348	-	202,293
2600 Total Deferred Inflows of Resources	<u>149,945</u>	<u>52,348</u>	<u>-</u>	<u>202,293</u>
FUND BALANCES				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	58,482	58,482
3480 Retirement of Long-Term Debt	-	446,899	-	446,899
Committed Fund Balance:				
3510 Construction	1,000,000	-	-	1,000,000
Assigned Fund Balance:				
3590 Other Assigned Fund Balance	-	-	87,582	87,582
3600 Unassigned Fund Balance	2,360,625	-	-	2,360,625
3000 Total Fund Balances	<u>3,360,625</u>	<u>446,899</u>	<u>146,064</u>	<u>3,953,588</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 3,764,065</u>	<u>\$ 499,247</u>	<u>\$ 178,755</u>	<u>\$ 4,442,067</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, 2015

Total Fund Balances - Governmental Funds	\$	3,953,588
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 \$33,271,131 and the accumulated depreciation was \$10,818,158. 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.		(1,687,877)
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.		822,094
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 590,161, a Deferred Resource Inflow related to TRS in the amount of \$180,532 and a Deferred Resource Outflow related to TRS in the amount of \$173,403. This amounted to a decrease in Net Position in the amount of \$597,290.		(597,290)
5 The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(916,541)
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.		(31,349)
19 Net Position of Governmental Activities	<u>\$</u>	<u>1,542,625</u>

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, 2015

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 3,642,868	\$ 1,470,271	\$ 482,554	\$ 5,595,693
5800 State Program Revenues	4,750,653	27,283	53,906	4,831,842
5900 Federal Program Revenues	23,121	-	576,213	599,334
5020 Total Revenues	<u>8,416,642</u>	<u>1,497,554</u>	<u>1,112,673</u>	<u>11,026,869</u>
EXPENDITURES:				
Current:				
0011 Instruction	4,270,977	-	234,254	4,505,231
0012 Instructional Resources and Media Services	100,977	-	-	100,977
0013 Curriculum and Instructional Staff Development	19,095	-	17,519	36,614
0023 School Leadership	505,376	-	96,778	602,154
0031 Guidance, Counseling and Evaluation Services	179,744	-	-	179,744
0033 Health Services	75,926	-	-	75,926
0034 Student (Pupil) Transportation	358,146	-	22,719	380,865
0035 Food Services	13,290	-	463,756	477,046
0036 Extracurricular Activities	371,394	-	200,633	572,027
0041 General Administration	586,147	-	-	586,147
0051 Facilities Maintenance and Operations	1,058,443	-	44,618	1,103,061
0053 Data Processing Services	11,025	-	-	11,025
0061 Community Services	-	-	1,033	1,033
Debt Service:				
0071 Principal on Long Term Debt	112,000	598,722	-	710,722
0072 Interest on Long Term Debt	89,652	798,719	-	888,371
0073 Bond Issuance Cost and Fees	3,912	229,854	-	233,766
Capital Outlay:				
0081 Facilities Acquisition and Construction	16,455	-	-	16,455
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	171,204	-	-	171,204
6030 Total Expenditures	<u>7,943,763</u>	<u>1,627,295</u>	<u>1,081,310</u>	<u>10,652,368</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>472,879</u>	<u>(129,741)</u>	<u>31,363</u>	<u>374,501</u>
OTHER FINANCING SOURCES (USES):				
7901 Refunding Bonds Issued	-	16,976,142	-	16,976,142
7916 Premium or Discount on Issuance of Bonds	-	1,900,295	-	1,900,295
8949 Other (Uses)	-	(18,644,212)	-	(18,644,212)
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>232,225</u>	<u>-</u>	<u>232,225</u>
1200 Net Change in Fund Balances	472,879	102,484	31,363	606,726
0100 Fund Balance - September 1 (Beginning)	<u>2,887,746</u>	<u>344,415</u>	<u>114,701</u>	<u>3,346,862</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 3,360,625</u>	<u>\$ 446,899</u>	<u>\$ 146,064</u>	<u>\$ 3,953,588</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 FISCAL YEAR 2015

Total Net Change in Fund Balances - Governmental Funds	\$	606,726
<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>		
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.		822,094
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.		(916,541)
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.		(264,708)
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 8/31/2014 caused the change in the ending net position to increase in the amount of \$125,915. Contributions made before the measurement but during the 2015 FY were also dexpended and recorded as a reduction in the net pension liability for the district. This also caused a increase in the change in net position in the amount of \$0. The District recorded their proportionate share of the pension expense during the measurement period as part of the net pension liability. The amounts expensed for FY2015 were \$54,550 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 was \$180,532. This caused a net decrease in the change in net position of \$125,982. The impact of all of these is to increase the change in net position by \$71,365.		71,365
Change in Net Position of Governmental Activities	\$	318,936

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, 2015

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 21,414
Restricted Assets	127,464	-
Total Assets	<u>127,464</u>	<u>\$ 21,414</u>
LIABILITIES		
Due to Student Groups	-	\$ 21,414
Total Liabilities	<u>-</u>	<u>\$ 21,414</u>
NET POSITION		
Restricted for Scholarships	127,464	
Unrestricted Net Position	-	
Total Net Position	<u>\$ 127,464</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 ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

	Private Purpose Trust Fund
ADDITIONS:	
Local and Intermediate Sources	\$ 11,797
Total Additions	<u>\$ 11,797</u>
DEDUCTIONS:	
Professional and Contracted Services	\$ -
Other Operating Costs	-
Total Deductions	<u>\$ -</u>
Change in Net Position	\$ 11,797
Total Net Position - Beginning of Year	115,667
Total Net Position - End of Year	<u><u>\$ 127,464</u></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, 2015

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," and amended by GASB Statement No. 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, 2015, 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
Buildings	40
Buildings and Improvements	30
Infrastructure	40
Vehicles	10
Office Equipment	10
Computer Equipment	10

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. The District maintains short term investments which are required to be reported at fair value. The District does not maintain investments in which the fair value must be estimated. The District has not used the option of reporting investments at cost or amortized cost rather than fair value.

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:

Capital Assets at the Beginning of the Year	Historical Cost	Accumulated Depreciation	Net Value Beg of Year	Change in Net Position
Land	\$ 947,249	\$ -	\$ 947,249	
Buildings and Improvements	30,851,352	(9,721,900)	21,129,452	
Furniture and Equipment	1,472,530	(1,096,258)	376,272	
Construction in Progress	-	-	-	
Change in Net Position				\$ 22,452,973
Long-term Liabilities at the Beginning of the Year			Payable Beg of Year	
Bonds, Notes, & Capital Leases Payable			\$ 23,010,201	
Less Deferred Charge on Refunding			(215,843)	
Add Unamortized Bond Premium			549,564	
Accreted Interest on CAB Bonds			720,617	
Accrued Interest - Bonds			76,311	
Change in Net Position				24,140,850
Net Adjustment to Net Position				\$ (1,687,877)

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
Current Year Capital Outlay			
Land	\$ -		
Buildings & Improvements	12,190		
Furniture & Equipment	99,182		
Construction in Progress	-		
Total Capital Outlay	<u>111,372</u>	111,372	111,372
Debt Principal Payments			
Bond Principal	598,722		
Note Principal Payments	112,000		
Capital Lease Payments	-		
Other Adjustments	-		
Total Principal Payments	<u>710,722</u>	710,722	710,722
Total Adjustment to Net Position		\$ 822,094	\$ 822,094

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
Adjustments to Revenue, Unearned Revenue, Beg. Net Position			
Beginning of Year Unearned Tax Revenue	\$ 233,359		\$ 233,359
Property tax adjustments to convert from the Modified Accrual basis to the Full Accrual basis of accounting	\$ (31,066)	\$ (31,066)	(31,066)
Other Revenue/Expense Adjustments	\$ (8,300)	(8,300)	(8,300)
Reclassify Proceeds of Bonds, Loans & Capital Leases			
New Bond Issue	\$ (16,976,142)	(16,976,142)	(16,976,142)
Discount (Premium) on Issuance of Bonds	\$ (1,900,295)	(1,900,295)	(1,900,295)
Deferred Refunding Charge on Refunding	\$ 1,478,061	1,478,061	1,478,061
Reclassify Certain Expenditures to Full Accrual From Modified Accrual			
Adjust Accrued Interest on Long-term Debt	\$ 14,209	14,209	14,209
Record Current Year Accreted Interest on CAB Bonds	\$ (238,561)	(238,561)	(238,561)
Record Payment of Accreted Interest on CAB Bonds	\$ 66,278	66,278	66,278
Amortization of Bond Premium (Discount)	\$ 445,064	445,064	445,064
Amortization of Deferred Charge on Refunding	\$ (280,107)	(280,107)	(280,107)
Bonds Retired From Refunding Bonds	\$ 17,166,151	17,166,151	17,166,151
Totals		\$ (264,708)	\$ (31,349)

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-3, and J-4.**

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:

	August 31
	Fund Balance
Appropriated Budget Funds - Food Service Special Revenue Fund	\$ 41,201
Non-appropriated Budget Funds	104,863
All Special Revenue Funds	\$ 146,064

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.

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. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments.

The District follows the practice of pooling cash and investments of all funds except for restricted funds and agency funds held for others. 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 the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the District 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.

Policies Governing Deposits and Investments

In compliance with the **Public Funds Investment Act**, the District has adopted a deposit and investment policy. That policy does address the following risks:

- a. **Foreign Currency Risk** – The District investment policy does not permit investments in foreign currency.
- b. **Custodial Credit Risk for Deposits:** In the case of deposits, this is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The District’s policy regarding types of deposits allowed and collateral requirements as required by statute are set forth in a depository contract. The funds of the District must be deposited and invested under the terms of this contract, contents of which are set out in the **Depository Contract Law**. The depository bank places approved pledged securities for safekeeping and trust or a blanket bond with the District's agent bank in an amount greater than the uninsured deposits. The pledge of approved securities or bond is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

The District's **cash deposits at year end were entirely covered by pledged collateral and/or bond. At the date of the highest cash balance, the cash deposits were also entirely covered by FDIC insurance and/or by 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.**

The carrying amount of the District’s cash and temporary investments at year end were as follows:

CASH AND INVESTMENTS - BY ACCOUNT TYPE	August 31, 2015
Cash in Bank - Including Money Market Accounts	\$ 911,293
Certificates of Deposit	2,375,374
LOGIC and Texas CLASS Investment Pool Funds	1,752
Total Cash and Investments	\$ 3,288,419
CASH AND INVESTMENTS - BY FUND	August 31, 2015
Cash and Investments - General Fund	\$ 2,565,080
Cash and Investments - Major Debt Service Funds	415,338
Cash and Investments - Non-Major Governmental	159,123
Cash and Investments - Enterprise	-
Cash and Investments - Internal Service	-
Cash and Investments - Agency	21,414
Cash and Investments - Trusts	127,464
Cash and Investments - Other	-
Total Cash and Investments	\$ 3,288,419

- c. **Custodial Credit Risk for Investments:** For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments that are in the possession of an outside party. The District's policy regarding types of investments allowed as required by statute are set forth in the District's investment policy. The District's investments **were not** exposed to custodial credit risk because they are registered in the name of the district. Investments in external investment pools and in open-end mutual funds are not subject to custodial credit risk because "their existence is not evidenced by securities that exist in physical or book entry form."
- d. **Interest rate risk** – The District's defines Interest – rate risk as occurring when potential purchasers of debt securities do not agree to pay face value for those securities if interest rates rise. The District discloses exposure to interest – rate risk through indication of the weighted average maturity in months for all investments at year end. The District's investment policy limits interest – rate risk by allowing a maximum dollar weighted maturity of 180 days for any internally created pool fund group and a maximum allowable stated maturity of any other individual investment not to exceed one year from the time of purchase.
- e. **Other Credit Risk Exposure** – The District's investment policy does not address direct or indirect ownership in debt securities. The credit rating for debt securities held by the Lone Star Investment Pool-Liquidity Corporate Fund was AA Af/S1+ (Standard & Poor's Rating) at year end.
- f. **Concentration Risk** – The District defines concentration risk as positions of 5 percent or more in the securities of a single issuer. This is the issuer of the underlying investment – not a pool or mutual fund. It does NOT apply to US Government securities. The District's investment policy requires diversification in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting over concentration of assets in a specific class of investments, specific maturity, or specific issuer. The District **was not** exposed to concentration risk at year end.

There were no violations of legal or contractual provisions governing investments.

The District did invest excess funds in the Texas CLASS and the LOGIC Investment Pools (external investment pools). The District's participation in the pools is voluntary only. There were no material realized gains or losses in the pool investments during the current year. The District has no securities that are identified as derivatives.

Custodian Bank: Bank of New York

Investment Managers: Public Trust Advisors and First Southwest Asset Management, Inc.

Financial Reports Address: 999 18th Street, Suite 1230, Denver, CO 80202 and 325 North St. Paul, Suite 800, Dallas, TX. 79501

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
General Fund		
Major Governmental Funds	\$ -	\$ -
Non-major Governmental Funds	8,052	-
Internal Service Funds	-	-
All Others	-	-
Total General Fund	<u>\$ 8,052</u>	<u>\$ -</u>
Major Governmental Funds		
General Fund	\$ -	\$ -
Non-major Governmental Funds	-	-
Internal Service Funds	-	-
All Others	-	-
Total Major Governmental Funds	<u>\$ -</u>	<u>\$ -</u>
Non-major Governmental Funds		
General Fund	\$ -	\$ 8,052
Other Major Governmental Funds	-	-
Internal Service Funds	-	-
All Others	-	-
Total Non-major Governmental Funds	<u>\$ -</u>	<u>\$ 8,052</u>
Internal Service Funds		
General Fund	\$ -	\$ -
Major Governmental Fund	-	-
Non-major Governmental Funds	-	-
All Others	-	-
Total Internal Service Funds	<u>\$ -</u>	<u>\$ -</u>
All Other Funds		
General Fund	\$ -	\$ -
Major Governmental Funds	-	-
Non-major Governmental Funds	-	-
All Others	-	-
Total All Other Funds	<u>\$ -</u>	<u>\$ -</u>
Total Interfund Receivables / Payables	<u>\$ 8,052</u>	<u>\$ 8,052</u>

The balance of \$8,052 is due from the Twentieth Century Community Learning special revenue fund to the general fund; \$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
General Fund		
Major Governmental Funds	\$ -	\$ -
Non-major Governmental Funds	-	-
Internal Service Funds	-	-
All Others	-	-
Total General Fund	<u>\$ -</u>	<u>\$ -</u>
Major Governmental Funds		
General Fund	\$ -	\$ -
Non-major Governmental Funds	-	-
Internal Service Funds	-	-
All Others	-	-
Total Major Governmental Funds	<u>\$ -</u>	<u>\$ -</u>
Non-major Governmental Funds		
General Fund	\$ -	\$ -
Other Major Governmental Funds	-	-
Internal Service Funds	-	-
All Others	-	-
Total Non-major Governmental Funds	<u>\$ -</u>	<u>\$ -</u>
Internal Service Funds		
General Fund	\$ -	\$ -
Major Governmental Fund	-	-
Non-major Governmental Funds	-	-
All Others	-	-
Total Internal Service Funds	<u>\$ -</u>	<u>\$ -</u>
All Other Funds		
General Fund	\$ -	\$ -
Major Governmental Funds	-	-
Non-major Governmental Funds	-	-
Internal Service Funds	-	-
Total All Other Funds	<u>\$ -</u>	<u>\$ -</u>
Total Interfund Transfers	<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 any transfer of funds during the current year.

During the current year ended August 31, 2015, 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
Governmental Activities:					
General Fund	\$ 199,926	\$ 1,034,540	\$ 8,052	\$ 6,449	\$ 1,248,967
Major Governmental Fund D/S	69,797	28,953	-	2,608	101,358
Non-major Governmental Funds	-	19,175	-	457	19,632
Internal Service Funds	-	-	-	-	-
Total Governmental Activities	\$ 269,723	\$ 1,082,668	\$ 8,052	\$ 9,514	1,369,957
Amounts not scheduled for collection during subsequent year	\$ -	\$ -	\$ -	\$ -	\$ -
Business-type Activities:					
Major Enterprise Fund	\$ -	\$ -	\$ -	\$ -	\$ -
Non-major Enterprise Funds	-	-	-	-	-
Total Business-type Activities	\$ -	\$ -	\$ -	\$ -	\$ -

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
Governmental Activities:							
General Fund	\$ 48,277	\$ 201,345	\$ 3,873	\$ -	\$ -	\$ -	\$ 253,495
Major Governmental Fund D/S	-	-	-	-	-	-	-
Non-major Governmental Funds	20,591	3,693	355	8,052	-	-	32,691
Internal Service Funds	-	-	-	-	-	-	-
Total Governmental Type Activities	\$ 68,868	\$ 205,038	\$ 4,228	\$ 8,052	\$ -	\$ -	\$ 286,186
Amounts not scheduled for payment during subsequent year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business-Type Activities:							
Major Enterprise Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Non-major Enterprise Fund	-	-	-	-	-	-	-
Total Business-Type Activities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

F. CAPITAL ASSET ACTIVITY

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

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 947,249	\$ -	\$ -	\$ 947,249
Construction In Progress	-	-	-	-
Depreciable Capital Assets:				
Buildings and Improvements	30,851,352	12,190	-	30,863,542
Furniture and Equipment	1,432,912	99,182	141,951	1,390,143
Capital Lease Property	39,618	-	-	39,618
Totals at Historic Cost	\$ 33,271,131	\$ 111,372	\$ 141,951	\$ 33,240,552
Less Accumulated Depreciation for:				
Buildings and Improvements	\$ 9,721,900	\$ 836,298	\$ -	\$ 10,558,198
Furniture and Equipment	1,066,993	75,274	141,951	1,000,316
Leased Property Under Capital Leases	29,265	4,969	-	34,234
Total Accumulated Depreciation	\$ 10,818,158	\$ 916,541	\$ 141,951	\$ 11,592,748
Governmental Activities Capital Assets-Net	\$ 22,452,973	\$ (805,169)	\$ -	\$ 21,647,804
Business-type Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Depreciable Capital Assets:				
Buildings and Improvements	-	-	-	-
Furniture and Equipment	-	-	-	-
Capital Leases	-	-	-	-
Totals at Historic Cost	\$ -	\$ -	\$ -	\$ -
Less Accumulated Depreciation				
Buildings and Improvements	\$ -	\$ -	\$ -	\$ -
Furniture and Equipment	-	-	-	-
Capital Leases	-	-	-	-
Total Accumulated Depreciation	\$ -	\$ -	\$ -	\$ -
Business-type Activities Capital Assets- Net	\$ -	\$ -	\$ -	\$ -

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 676,601
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	53,516
Food Services	19,183
Cocurricular/Extracurricular Activities	133,572
General Administration	16,877
Plant Maintenance and Operations	16,792
Security and Monitoring Service	-
Data Processing Services	-
Community Services	-
Contracted Instructional Services Between Schools	-
In addition, depreciation on capital assets held by the District's Internal Service Fund(s) is charged to the various functions based on their usage of the assets	-
Total Depreciation Expense	\$ 916,541

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		Retired	Payable Amounts Outstanding 8/31/15
				Outstanding 9/1/14	Issued		
2005 Tax Refunding Bonds	3.00%-4.125%	\$ 5,664,999	\$ 5,693	\$ 4,465,000	\$ -	\$ 4,465,000	\$ -
2007 School Building Bonds	4.2%-4.92%	\$ 13,099,997	267,522	13,062,204	-	13,043,253	18,950
2008 School Building Bonds	4.85%-5.60%	\$ 2,399,998	126,113	2,399,998	-	-	2,399,998
2011 Tax Refunding Bonds	1.65%-4.00%	\$ 1,579,998	48,650	1,450,000	-	110,000	1,340,000
2010 Maintenance Tax Notes	5.49%-5.49%	\$ 2,000,000	89,652	1,633,000	-	112,000	1,521,000
2014 Tax Refunding Bonds	2.00%-4.00%	\$ 8,774,806	225,017	-	8,784,903	75,000	8,709,903
2015 Tax Refunding Bonds	0.50%-2.88%	\$ 8,502,478	125,724	-	8,191,239	71,620	8,119,619
TOTAL		\$ 42,022,276	\$ 888,370	\$23,010,201	\$16,976,142	\$17,876,873	\$22,109,470

On October 23, 2014 and March 5, 2015, the District issued general obligation bonds (Series 2014, 2014A, and 2015 Tax Refunding Bonds) of \$3,945,000, \$4,839,903, and \$8,191,239 (par value) with an interest rates ranging between .50% and 4.00%. The District issued the bonds to refund \$4,135,000 of the 2005 Series Tax Refunding Bonds with interest rates ranging between 4.0% and 4.125% and \$13,026,246 of the 2007 Series School Building Bonds with interest rates ranging between 4.5% and 5.0%. The refunding bonds were issued at par, and after receiving a premium of \$1,900,295 and accrued interest of \$126,146, paying issuance costs of \$358,371, the net proceeds were \$18,644,212. The net proceeds were used to retire the 2005 Tax Refunding Bonds and the 2007 School Building Bonds and accrued interest during the year ended August 31, 2015 except for \$13,031,150 payable February 15, 2017. As a result of the refunding, the District decreased its total debt service requirement by \$2,783,652, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$2,106,387 during the 2015 year.

In prior years, the District has not 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, no trust account assets and liabilities for the defeased bonds exist and none are 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.

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%:

Year Ending August 31	
2016	\$ 32,100
2017	32,100
2018	32,100
2019	32,100
2020	13,613
2021-2024	-
2025-2029	-
Total Minimum Future Rentals	\$ 142,013
Rental Expenditures in Fiscal Year 2015	\$ 54,841

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

Debt service requirements for bonds are as follows:

General Obligations - Bonds and Notes Payable			
Year Ended August 31	Principal	Interest	Total Requirements
2016	\$ 596,415	\$ 1,004,826	\$ 1,601,241
2017	560,441	1,057,471	1,617,912
2018	633,036	999,938	1,632,974
2019	685,805	963,573	1,649,378
2020	742,870	919,527	1,662,397
2021-2025	5,030,903	3,621,204	8,652,107
2026-2030	5,345,000	2,343,438	7,688,438
2031-2035	5,860,000	1,149,412	7,009,412
2036-2040	2,655,000	107,300	2,762,300
2041-2045	-	-	-
Totals	\$ 22,109,470	\$ 12,166,689	\$ 34,276,159

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:

Capital Lease Obligations			
Year Ended August 31	Principal	Interest	Total Requirements
2016	\$ -	\$ -	\$ -
2017	-	-	-
2018	-	-	-
2019	-	-	-
2020	-	-	-
2021-2025	-	-	-
2026-2030	-	-	-
2031-2035	-	-	-
2036-2040	-	-	-
2041-2045	-	-	-
Total Capital Lease Payments	\$ -	\$ -	\$ -

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:

	Sick Leave	Vacation Leave
Balance September 1, 2014	\$ -	\$ 8,298
Additions - New Entrants and Salary Increments	-	-
Deductions - Payments to Participants	-	-
Balance August 31, 2015	\$ -	\$ 8,298

L. DEFINED BENEFIT PENSION PLAN

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). TRS's defined benefit pension plan is 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.

Pension Plan Fiduciary Net Position. Detailed 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. The information provided in the Notes to the Financial Statements in the 2014 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2014.

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$159,496,075,886
Less: Plan Fiduciary Net Position	<u>(132,779,243,085)</u>
Net Pension Liability	<u>\$ 26,716,832,801</u>
 Net Position as percentage of Total Pension Liability	 83.25%

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 above.

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 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015 as discussed in Note 1 of the TRS 2014 CAFR. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015.

Contribution Rates

	<u>2014</u>	<u>2015</u>
Member	6.4%	6.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%

District's 2014 Employer Contributions	\$ 56,014
District's 2014 Member Contributions	\$ 295,362
District's 2014 NECE On-Behalf Contributions	\$ 260,493

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. 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, 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 including public 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 source or a privately sponsored source, from non-educational an general, or actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2010 and adopted on April 8, 2011.

In addition to the employer contributions listed above, 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.

Actuarial Assumptions. The total pension liability in the August 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2014
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level % of Payroll, Open
Remaining Amortization Period	30 years
Asset Valuation Method	5 year Market Value
Discount Rate	8.00%
Long-term expected Investment Rate of Return*	8.00%
Salary Increases*	4.25% to 7.25%
Weighted-Average at Valuation Date	5.55%
Payroll Growth Rate	3.50%

*Includes Inflation of 3%

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2010 and adopted on April 8, 2011. With the exception of the post-retirement mortality rates for healthy lives and a minor change to the expected retirement age for inactive vested members stemming from the actuarial audit performed in the Summer of 2014, the assumptions and methods are the same as used in the prior valuation. When the mortality assumptions were adopted in 2011 they contained a significant margin for possible future mortality improvement. As of the date of the valuation there has been a significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rates for current and future retirees was decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards of Practice No. 35.

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, 2014 are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
Global Equity			
U.S.	18%	7.0%	1.4%
Non-U.S. Developed	13%	7.3%	1.1%
Emerging Markets	9%	8.1%	0.9%
Directional Hedge Funds	4%	5.4%	0.2%
Private Equity	13%	9.2%	1.4%
Stable Value			
U.S. Treasuries	11%	2.9%	0.3%
Absolute Return	0%	4.0%	0.0%
Stable Value Hedge Funds	4%	5.2%	0.2%
Cash	1%	2.0%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	3.1%	0.0%
Real Assets	16%	7.3%	1.5%
Energy and Natural Resources	3%	8.8%	0.3%
Commodities	0%	3.4%	0.0%
Risk Parity			
Risk Parity	5%	8.9%	0.4%
Alpha			1.0%
Total	<u>100%</u>		<u>8.7%</u>

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

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 2014 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:	\$ 1,054,582	\$ 590,161	\$ 242,861

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2014, Millsap Independent School District reported a liability of \$590,161 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Millsap Independent School District. The amount recognized by 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 Millsap Independent School District were as follows:

District's Proportionate share of the collective net pension liability	\$ 590,161
State's proportionate share that is associated with the District	<u>2,750,380</u>
Total	<u>\$3,340,541</u>

The net pension liability was measured as of August 31, 2014 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, 2013 thru August 31, 2014.

At August 31, 2014 the employer's proportion of the collective net pension liability was .0022094%. Since this is the first year of implementation, the District does not have the proportion measured as of August 31, 2013. The Notes to the Financial Statements for August 31, 2014 for TRS stated that the change in proportion was immaterial and therefore disregarded this year.

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

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

There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the employer's reporting date. A 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective 09/01/2013. The amount of the expected resultant change in the employer's proportion cannot be determined at this time.

For the year ended August 31, 2014, Millsap Independent School District recognized pension expense of \$254,268 and revenue of \$254,268 for support provided by the State.

At August 31, 2014, 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 experience	\$ 9,127	\$ -
Changes in actuarial assumptions	\$ 38,361	\$ -
Difference between projected and actual investment earnings	\$ -	\$ 180,377
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	\$ -	\$ 155
Contributions paid to TRS subsequent to the measurement date	\$ -	\$ -
Total	\$ 47,488	\$ 180,532

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:

Year ended August 31:	Pension Expense Amount
2015	\$ (37,109)
2016	\$ (37,109)
2017	\$ (37,109)
2018	\$ (37,109)
2019	\$ 7,985
Thereafter	\$ 7,407

At August 31, 2015, the District reported Deferred Resource Outflows and Deferred Resource Inflows for the TRS pension plan as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Total net amounts as of August 31, 2014 Measurement Date	\$ 47,488	\$ 180,532
Contributions paid to TRS subsequent to the Measurement Date	\$ 125,915	
Total	\$ 173,403	\$ 180,532

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:

	Beginning Balance	Additions	Reductions	Ending Balance	Within One Year
Governmental Activities:					
Bonds and Notes Payable:					
General Obligation Bonds	\$21,377,201	\$ 16,976,142	\$ 17,764,873	\$20,588,470	\$478,415
Maintenance Tax Notes	1,633,000	-	112,000	1,521,000	118,000
Unamortized Prem/Disc - Bonds	549,564	1,900,295	445,063	2,004,796	-
Total Bonds and Notes Payable	\$23,559,765	\$ 18,876,437	\$ 18,321,936	\$24,114,266	\$596,415
Other Liabilities:					
Vested Vacation Benefits	\$ 2,685	\$ 5,613	\$ -	\$ 8,298	\$ -
Net Pension Liability TRS	-	590,161	-	590,161	-
Interest Accretion-CAB Bonds	720,617	238,562	66,278	892,901	-
Accrued Interest Payable	76,207	62,102	76,207	62,102	62,102
Total Other Liabilities	\$ 799,509	\$ 896,438	\$ 142,485	\$ 1,553,462	\$ 62,102
Total Governmental Activities Long-Term Liabilities	\$24,359,274	\$ 19,772,875	\$ 18,464,421	\$25,667,728	\$658,517
Business-type Activities:					
Bonds and Notes Payable:					
Food Service	\$ -	\$ -	\$ -	\$ -	\$ -
Less Deferred Amounts	-	-	-	-	-
Total Bonds & Notes Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Other Liabilities:					
Compensated Absences	\$ -	\$ -	\$ -	\$ -	\$ -
Other Long-term Liabilities	-	-	-	-	-
Total Other Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Total Business-type Activities Long- Term Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -

O. DEFERRED INFLOWS - UNEARNED REVENUE GOVERNMENTAL FUND STATEMENTS

Unavailable revenue at year-end consisted of the following:

	General Fund	Special Revenue Funds	Debt Service Fund	Total
Unavailable Tax Revenue	\$ 149,945	\$ -	\$ 52,348	\$ 202,293
State and Federal Grants	-	-	-	-
Total Unearned Revenue	\$ 149,945	\$ -	\$ 52,348	\$ 202,293

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.

FUND	Due From State - Foundation Entitlements	Due From State - State & Federal Grants	Due From Other Governments	Total
General	\$ 1,027,766	\$ 270	\$ 6,504	\$ 1,034,540
Special Revenue	-	19,175	-	19,175
Debt Service	27,283	-	1,670	28,953
Total	\$ 1,055,049	\$ 19,445	\$ 8,174	\$ 1,082,668

Q. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
Property Taxes	\$ 3,418,792	\$ -	\$ 1,446,641	\$ -	\$ 4,865,433
Penalties, Interest and Other Tax- Related Income	47,660	-	18,852	-	66,512
Investment Income	25,601	1,795	4,778	-	32,174
Food Sales	-	263,845	-	-	263,845
Co-curricular Student Activities	34,071	209,724	-	-	243,795
Insurance Recovery, SSA, & Other	116,744	7,190	-	-	123,934
Totals	\$ 3,642,868	\$ 482,554	\$ 1,470,271	\$ -	\$ 5,595,693

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	District	Program
				Special Revenue Fund	Special Revenue Fund	Expenditures Current Year
Parker County Coop	Special Education	Peaster ISD	Special Education	437	N.A.	\$ 171,204
TOTAL FUNCTION 93 EXPENDITURES						\$ 171,204

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	District	Program
				Special Revenue Fund	Special Revenue Fund	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	\$ 2,283

U. SUBSEQUENT EVENTS

In preparing the basic financial statements, District administration has evaluated events and transactions for potential recognition or disclosure through **November 23, 2015**, 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. MAINTENANCE OF EFFORT

The District is in compliance with the maintenance of effort requirements in connection with health insurance. As such, the disclosure for non-compliance information is not required for this district.

X. 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.

Y. FUND BALANCE / NET POSITION ADJUSTMENTS

During fiscal year 2015, the District adopted GASB Statement No. 68 for Accounting and Reporting for Pensions. With GASB 68, the District must assume their proportionate share of the Net Pension Liability of the Teachers Retirement System of Texas. Adoption of GASB 68 required a prior period adjustment to report the effect of GASB 68 retroactively. The amount of the prior period adjustment is (\$668,655). The restated beginning net position is \$1,223,689.

The District did not make a fund balance adjustment during the current year; however, did make a net position adjustment during the current fiscal year.

Governmental Fund Balance	General Fund	Debt Service Fund	Capital Projects Fund	Total
Increase (Decrease) Beginning of Year	\$ -	\$ -	\$ -	\$ -
Totals	\$ -	\$ -	\$ -	\$ -
Government Wide Net Position				
Increase (Decrease) Beg. of Year Net Position:				
Prior Period Adjustment - GASB 68 Pension Reporting				\$(668,655)
Totals				\$(668,655)

Z. 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, 2015.

Property / Casualty Program

During the year ended August 31, 2015, 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, 2015, 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, 2015, 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, 2015, 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, 2015, are available at the PWCP offices and have been filed with the Texas Department of Insurance in Austin.

AA. 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, 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.

Contribution Rates and Contribution Amounts						
	Member		District		State On-Behalf	
Year	Rate	Amount	Rate	Amount	Rate	Amount
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
2013	0.65%	\$ 28,163	0.55%	\$23,830	1.00%	\$ 43,328

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, 2015

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 3,505,021	\$ 3,588,491	\$ 3,642,868	\$ 54,377
5800	State Program Revenues	4,404,970	4,690,038	4,750,653	60,615
5900	Federal Program Revenues	-	97,200	23,121	(74,079)
5020	Total Revenues	7,909,991	8,375,729	8,416,642	40,913
EXPENDITURES:					
Current:					
0011	Instruction	4,069,943	4,416,856	4,270,977	145,879
0012	Instructional Resources and Media Services	103,915	103,140	100,977	2,163
0013	Curriculum and Instructional Staff Development	32,300	30,400	19,095	11,305
0023	School Leadership	499,569	508,569	505,376	3,193
0031	Guidance, Counseling and Evaluation Services	172,862	184,862	179,744	5,118
0033	Health Services	46,049	78,049	75,926	2,123
0034	Student (Pupil) Transportation	338,564	387,564	358,146	29,418
0035	Food Services	13,989	15,489	13,290	2,199
0036	Extracurricular Activities	337,916	393,416	371,394	22,022
0041	General Administration	619,252	644,752	586,147	58,605
0051	Facilities Maintenance and Operations	1,231,858	1,180,858	1,058,443	122,415
0053	Data Processing Services	12,701	12,701	11,025	1,676
Debt Service:					
0071	Principal on Long Term Debt	215,702	118,325	112,000	6,325
0072	Interest on Long Term Debt	-	90,877	89,652	1,225
0073	Bond Issuance Cost and Fees	-	6,500	3,912	2,588
Capital Outlay:					
0081	Facilities Acquisition and Construction	30,000	30,000	16,455	13,545
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of	185,371	173,371	171,204	2,167
6030	Total Expenditures	7,909,991	8,375,729	7,943,763	431,966
1200	Net Change in Fund Balances	-	-	472,879	472,879
0100	Fund Balance - September 1 (Beginning)	2,887,746	2,887,746	2,887,746	-
3000	Fund Balance - August 31 (Ending)	\$ 2,887,746	\$ 2,887,746	\$ 3,360,625	\$ 472,879

MILLSAP INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2015

EXHIBIT G-2

	2015
District's Proportion of the Net Pension Liability (Asset)	0.0022094%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 590,161
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	2,750,380
Total	\$ 3,340,541
District's Covered-Employee Payroll	\$ 4,615,030
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its covered-Employee Payroll	12.79%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.25%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the period covered as of the measurement date of August 31, 2014 - the period from September 1, 2013 - August 31, 2014.

Note: Only one year of data is presented in accordance with GASB 68, Paragraph 138. "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
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2015

EXHIBIT G-3

	2015
Contractually Required Contribution	\$ 125,915
Contribution in Relation to the Contractually Required Contribution	(125,915)
Contribution Deficiency (Excess)	\$ -0-
District's Covered-Employee Payroll	\$ 4,988,621
Contributions as a Percentage of Covered-Employee Payroll	2.52%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's current fiscal year as opposed to the time period covered by the measurement date of September 1, 2013 - August 31, 2014.

Note: Only one year of data is presented in accordance with GASB 68, Paragraph 138. "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, 2015**

1. Changes of benefit terms:

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

2. Changes of assumptions:

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

**OTHER SUPPLEMENTARY INFORMATION –
COMBINING SCHEDULES**

MILLSAP INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2015

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	
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ 35,460	\$ -
1240	Receivables from Other Governments	4,048	-	7,075	-
1290	Other Receivables	-	-	-	-
1000	Total Assets	<u>\$ 4,048</u>	<u>\$ -</u>	<u>\$ 42,535</u>	<u>\$ -</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ -	\$ 1,334	\$ -
2160	Accrued Wages Payable	3,693	-	-	-
2170	Due to Other Funds	-	-	-	-
2200	Accrued Expenditures	355	-	-	-
2000	Total Liabilities	<u>4,048</u>	<u>-</u>	<u>1,334</u>	<u>-</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	41,201	-
Assigned Fund Balance:					
3590	Other Assigned Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>41,201</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 4,048</u>	<u>\$ -</u>	<u>\$ 42,535</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
\$ -	\$ -	\$ -	\$ 34,124	\$ 100	\$ 89,439	\$ 159,123
-	8,052	-	-	-	-	19,175
-	-	-	-	-	457	457
<u>\$ -</u>	<u>\$ 8,052</u>	<u>\$ -</u>	<u>\$ 34,124</u>	<u>\$ 100</u>	<u>\$ 89,896</u>	<u>\$ 178,755</u>
\$ -	\$ -	\$ -	\$ 16,943	\$ -	\$ 2,314	\$ 20,591
-	-	-	-	-	-	3,693
-	8,052	-	-	-	-	8,052
-	-	-	-	-	-	355
<u>-</u>	<u>8,052</u>	<u>-</u>	<u>16,943</u>	<u>-</u>	<u>2,314</u>	<u>32,691</u>
-	-	-	17,181	100	-	58,482
-	-	-	-	-	87,582	87,582
<u>-</u>	<u>-</u>	<u>-</u>	<u>17,181</u>	<u>100</u>	<u>87,582</u>	<u>146,064</u>
<u>\$ -</u>	<u>\$ 8,052</u>	<u>\$ -</u>	<u>\$ 34,124</u>	<u>\$ 100</u>	<u>\$ 89,896</u>	<u>\$ 178,755</u>

MILLSAP INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2015

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
REVENUES:				
570 Total Local and Intermediate Sources	\$ -	\$ -	\$ 265,302	\$ -
580 State Program Revenues	-	-	2,184	-
590 Federal Program Revenues	87,472	2,283	226,339	3,769
5020 Total Revenues	<u>87,472</u>	<u>2,283</u>	<u>493,825</u>	<u>3,769</u>
EXPENDITURES:				
Current:				
001 Instruction	87,209	2,283	-	3,769
001 Curriculum and Instructional Staff Development	263	-	-	-
002 School Leadership	-	-	-	-
003 Student (Pupil) Transportation	-	-	-	-
003 Food Services	-	-	463,756	-
003 Extracurricular Activities	-	-	-	-
005 Facilities Maintenance and Operations	-	-	32,606	-
006 Community Services	-	-	-	-
6030 Total Expenditures	<u>87,472</u>	<u>2,283</u>	<u>496,362</u>	<u>3,769</u>
1200 Net Change in Fund Balance	-	-	(2,537)	-
0100 Fund Balance - September 1 (Beginning)	-	-	43,738	-
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,201</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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 217,252	\$ 482,554
-	-	2,700	48,922	100	-	53,906
19,061	237,289	-	-	-	-	576,213
<u>19,061</u>	<u>237,289</u>	<u>2,700</u>	<u>48,922</u>	<u>100</u>	<u>217,252</u>	<u>1,112,673</u>
-	109,252	-	31,741	-	-	234,254
14,556	-	2,700	-	-	-	17,519
4,505	92,273	-	-	-	-	96,778
-	22,719	-	-	-	-	22,719
-	-	-	-	-	-	463,756
-	-	-	-	-	200,633	200,633
-	12,012	-	-	-	-	44,618
-	1,033	-	-	-	-	1,033
<u>19,061</u>	<u>237,289</u>	<u>2,700</u>	<u>31,741</u>	<u>-</u>	<u>200,633</u>	<u>1,081,310</u>
-	-	-	17,181	100	16,619	31,363
-	-	-	-	-	70,963	114,701
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,181</u>	<u>\$ 100</u>	<u>\$ 87,582</u>	<u>\$ 146,064</u>

MILLSAP INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
AUGUST 31, 2015

	BALANCE SEPTEMBER 1 2014	ADDITIONS	DEDUCTIONS	BALANCE AUGUST 31 2015
STUDENT ACTIVITY ACCOUNT				
Assets:				
Cash and Temporary Investments	\$ 20,291	\$ 92,734	\$ 91,611	\$ 21,414
Liabilities:				
Due to Student Groups	\$ 20,291	\$ 92,734	\$ 91,611	\$ 21,414
TOTAL AGENCY FUNDS				
Assets:				
Cash and Temporary Investments	\$ 20,291	\$ 92,734	\$ 91,611	\$ 21,414
Liabilities:				
Due to Student Groups	\$ 20,291	\$ 92,734	\$ 91,611	\$ 21,414

REQUIRED TEA SCHEDULES

MILLSAP INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2015

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2006 and prior years	Various	Various	\$ Various
2007	1.370000	0.23740	203,932,390
2008	1.040000	0.49500	240,741,650
2009	1.040000	0.49500	261,348,860
2010	1.040000	0.49500	285,608,274
2011	1.170000	0.49500	290,866,726
2012	1.170000	0.49500	272,555,195
2013	1.170000	0.49500	277,989,806
2014	1.170000	0.49500	277,941,765
2015 (School year under audit)	1.170000	0.49500	290,199,996
100 TOTALS			

(10) Beginning Balance 9/1/2014	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2015
\$ 64,639	\$ -	\$ 502	\$ 80	\$ -	\$ 64,057
8,213	-	377	65	(1)	7,770
5,428	-	339	161	(681)	4,247
11,527	-	3,091	1,471	(912)	6,053
18,607	-	4,994	2,377	(911)	10,325
18,805	-	4,304	1,821	(989)	11,691
20,724	-	5,031	2,129	(810)	12,754
55,521	-	17,030	7,205	(1,087)	30,199
107,681	-	40,678	17,210	(2,427)	47,366
-	4,831,830	3,342,441	1,414,128	-	75,261
<u>\$ 311,145</u>	<u>\$ 4,831,830</u>	<u>\$ 3,418,787</u>	<u>\$ 1,446,647</u>	<u>\$ (7,818)</u>	<u>\$ 269,723</u>

MILLSAP INDEPENDENT SCHOOL DISTRICT
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
 FOR THE YEAR ENDED AUGUST 31, 2015

EXHIBIT J-2

UNAUDITED

1	Total General Fund Balance as of 8/31/15 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 3,360,625
2	Total Non-Spendable Fund Balance (from Exhibit C-1 - for the General Fund Only)	\$ -	
3	Total Restricted Fund Balance (from Exhibit C-1 - for the General Fund Only)	-	
4	Total Committed Fund Balance (from Exhibit C-1 - for the General Fund Only)	1,000,000	
5	Total Assigned Fund Balance (from Exhibit C-1 - for the General Fund Only)	-	
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.)	1,068,146	
7	Estimate of two month's average cash disbursements during the fiscal	1,323,961	
8	Estimate of delayed payments from state sources (58xx).	-	
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount.	-	
10	Estimate of delayed payments from federal sources (59xx)	-	
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	-	
12	Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)		<u>3,392,107</u>
13	Excess (Deficit) Unassigned Fund Balance (Line 1 minus Line 12)		<u>\$ (31,482)</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, 2015

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 230,610	\$ 310,610	\$ 265,302	\$ (45,308)
5800 State Program Revenues	2,100	2,100	2,184	84
5900 Federal Program Revenues	222,929	220,907	226,339	5,432
5020 Total Revenues	455,639	533,617	493,825	(39,792)
EXPENDITURES:				
0035 Food Services	455,639	500,895	463,756	37,139
0051 Facilities Maintenance and Operations	-	32,722	32,606	116
6030 Total Expenditures	455,639	533,617	496,362	37,255
1200 Net Change in Fund Balances	-	-	(2,537)	(2,537)
0100 Fund Balance - September 1 (Beginning)	43,738	43,738	43,738	-
3000 Fund Balance - August 31 (Ending)	\$ 43,738	\$ 43,738	\$ 41,201	\$ (2,537)

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, 2015

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 1,388,842	\$ 1,457,156	\$ 1,470,271	\$ 13,115
5800	State Program Revenues	-	-	27,283	27,283
5020	Total Revenues	1,388,842	1,457,156	1,497,554	40,398
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	361,306	462,104	598,722	(136,618)
0072	Interest on Long Term Debt	1,127,085	1,054,054	798,719	255,335
0073	Bond Issuance Cost and Fees	-	229,678	229,854	(176)
6030	Total Expenditures	1,488,391	1,745,836	1,627,295	118,541
1100	Excess (Deficiency) of Revenues Over Expenditures	(99,549)	(288,680)	(129,741)	158,939
OTHER FINANCING SOURCES (USES):					
7901	Refunding Bonds Issued	-	-	16,976,142	16,976,142
7911	Capital Related Debt Issued (Regular Bonds)	-	16,973,593	-	(16,973,593)
7916	Premium or Discount on Issuance of Bonds	-	1,900,297	1,900,295	(2)
8949	Other (Uses)	-	(18,644,212)	(18,644,212)	-
7080	Total Other Financing Sources (Uses)	-	229,678	232,225	2,547
1200	Net Change in Fund Balances	(99,549)	(59,002)	102,484	161,486
0100	Fund Balance - September 1 (Beginning)	344,415	344,415	344,415	-
3000	Fund Balance - August 31 (Ending)	\$ 244,866	\$ 285,413	\$ 446,899	\$ 161,486

**REPORTS ON COMPLIANCE, INTERNAL CONTROLS AND
FEDERAL AWARDS**

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

November 23, 2015

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, 2015, 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 23, 2015.

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.

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,

A handwritten signature in blue ink that reads "James E. Rodgers and Company". The signature is written in a cursive, flowing style.

James E. Rodgers and Company, P.C.

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

November 23, 2015

Independent Auditor's Report on Compliance for each Major Program and on Internal Control over Compliance Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited Millsap Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Millsap Independent School District's major federal programs for the year ended August 31, 2015. Millsap Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Millsap Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Millsap Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of Millsap Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Millsap Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2015.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and therefore are not described in the accompanying schedule of findings and questioned costs. Our opinion on each major federal program is not modified with respect to these matters.

Millsap Independent School District's response is not required since noncompliance findings were not identified in our audit and are not described in the accompanying schedule of findings and questioned costs. Millsap Independent School District's response if required would not have been subjected to the auditing procedures applied in the audit of compliance and, accordingly, we would not have expressed an opinion on the response.

Report on Internal Control Over Compliance

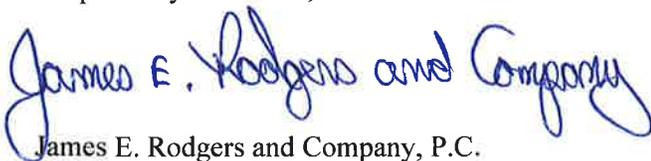
Management of Millsap Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Millsap Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Millsap Independent School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



James E. Rodgers and Company, P.C.

**MILLSAP INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2015**

I. Summary of the Auditor's Results:

1.	Type of report issued on the financial statements:	Unmodified opinion
2 (a).	Significant deficiencies in internal control:	None
(b).	Significant deficiencies that were material weaknesses:	None
3.	Noncompliance, which is material to the financial statements:	None
4 (a).	Significant deficiencies in internal control over major programs	None
(b).	Significant deficiencies that were material weaknesses	None
5.	Type of report issued on compliance with major programs	Unmodified opinion
6.	Audit findings that the auditor is required to report under Section .510(a). These include the following:	None
(a).	Significant deficiencies in internal control over major programs.	None
(b).	Material noncompliance with the provisions of laws, regulations, contracts, or grant agreements related to a major program.	None
(c).	For a type of compliance requirement for a major program, known questioned costs when likely questioned costs are greater than \$10,000.	None
(d).	Known questioned costs greater than \$10,000 for a federal program that is not audited as a major program.	None
(e).	The circumstances concerning why the auditor's report on compliance for major programs is other than an unmodified opinion, unless such circumstances are otherwise reported as audit findings in the schedule of findings and questioned costs for federal awards.	Not applicable
(f).	Known fraud affecting a federal award, unless such fraud is otherwise reported as an audit finding in the schedule of findings and questioned costs for Federal awards.	None
(g).	Instances where audit follow-up procedures disclosed that the summary schedule of prior audit findings prepared by the auditee materially misrepresents the status of any prior audit finding.	None
7.	Identification of major programs:	
	• Child Nutrition Cluster:	
	School Breakfast Program (CFDA 10.553)	
	National School Lunch Program (CFDA 10.555)	
8.	Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
9.	District qualified as a low-risk auditee	Yes

**MILLSAP INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2015**

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

Finding 2015-001:

- a. Condition: None**
- b. Criteria: N/A**
- c. Cause: N/A**
- d. Effect: N/A**
- e. Recommendation: N/A**
- f. District Response: N/A**

III. Findings and Questioned Costs for Federal Awards Including Audit Findings as Described in 6(a) – 6(g) above.

There were no audit findings or questioned costs for federal awards that are required to be reported.

**MILLSAP INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2015**

Finding 2014-001: The District had no prior year audit findings.

**MILLSAP INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2015**

The name of the contact person responsible for corrective action:

Lori Hobbs, Business Manager

District Phone Number: 940-682-3104.

The corrective action for Finding 2015-001:

No findings were identified for the current year.

MILLSAP INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2015

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	15610101184904	\$ 83,425
ESEA, Title I, Part A - Improving Basic Programs	84.010A	16610101184904	4,047
Total CFDA Number 84.010A			87,472
*IDEA - Part B, Preschool	84.173	156610011849086610	2,283
Career and Technical - Basic Grant	84.048	14420006220950	3,769
Title IV, Pt B-21st Cent. Community Learning Cent.	84.287	156950167110029	229,237
Title IV, Pt B-21st Cent. Community Learning Cent.	84.287	166950167110029	8,052
Total CFDA Number 84.287			237,289
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	15694501184904	19,061
Total Passed Through State Department of Education			\$ 349,874
TOTAL U.S. DEPARTMENT OF EDUCATION			\$ 349,874
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Texas Dept of Human Services</u>			
Medicaid Administrative Claiming Program - MAC	93.778	184904	\$ 5,091
Total Passed Through Texas Dept of Human Services			\$ 5,091
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 5,091
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401501	\$ 43,749
*National School Lunch Program - Cash Assistance	10.555	71301501	161,647
*National School Lunch Prog. - Non-Cash Assistance	10.555	71301501	20,943
Total CFDA Number 10.555			182,590
Total Child Nutrition Cluster			226,339
Total Passed Through the State Department of Agriculture			\$ 226,339
TOTAL U.S. DEPARTMENT OF AGRICULTURE			\$ 226,339
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 581,304

*Clustered Programs

The District did not make payments to Sub-recipients during the current year.

Non-Grant Federal Program Receipts included \$16,965 in SHARS receipts, and \$1,065 in erate reimbursement.

**MILLSAP INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2015**

1. For all Federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types and Expendable Trust Funds are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund that is a Governmental Fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.
3. The modified accrual basis of accounting is used for the Governmental Fund types, the Expendable Trust Funds, and Agency Funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for un-matured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.
4. Federal grant funds are recorded as earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned.
5. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement - Provisional 6/97.

OTHER TEA DOCUMENTS

SCHOOLS FIRST QUESTIONNAIRE

MILLSAP INDEPENDENT SCHOOL DISTRICT

Fiscal Year 2015

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	No
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$892,901
SF11	Net Pension Assets (1920) at fiscal year-end.	\$0
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$590,161
SF13	Pension Expense (6147) at fiscal year-end.	\$54,550