

**MILLSAP INDEPENDENT SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED AUGUST 31, 2020**

# MILLSAP INDEPENDENT SCHOOL DISTRICT

## ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED AUGUST 31, 2020

### TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
<u>INTRODUCTORY SECTION</u>		
Certificate of Board .....		1
<u>FINANCIAL SECTION</u>		
Independent Auditor's Report .....		2-4
Management's Discussion and Analysis (Required Supplementary Information) .....		5-13
<u>BASIC FINANCIAL STATEMENTS:</u>		
Statement of Net Position .....	A-1	14
Statement of Activities .....	B-1	15
Balance Sheet - Governmental Funds .....	C-1	16-17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position .....	C-1R	18
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds .....	C-2	19-20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds to the Statement of Activities .....	C-3	21
Statement of Fiduciary Net Position .....	E-1	22
Statement of Changes in Fiduciary Net Position .....	E-2	23
Notes to the Financial Statements .....		24-48
<u>REQUIRED SUPPLEMENTARY INFORMATION:</u>		
Budgetary Comparison Schedule - General Fund .....	G-1	49-50
Schedule of District's Proportionate Share of the Net Pension Liability - Teacher Retirement System of Texas .....	G-2	51-52
Schedule of District's Pension Contributions - Teacher Retirement System of Texas .....	G-3	53-54
Schedule of District's Proportionate Share of the Net Other Post-Employment Benefit (OPEB) Liability - Teacher Retirement System of Texas .....	G-4	55
Schedule of District's Other Post-Employment Benefit (OPEB) Contributions - Teacher Retirement System of Texas .....	G-5	56
Notes to the Required Supplementary Information .....		57-58
<u>NONMAJOR GOVERNMENTAL FUNDS COMBINING STATEMENTS:</u>		
Combining Balance Sheet - Nonmajor Governmental Funds .....	H-1	59-60
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds .....	H-2	61-62

**MILLSAP INDEPENDENT SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2020**

TABLE OF CONTENTS (CONT'D.)

	<u>Exhibit</u>	<u>Page</u>
OTHER SUPPLEMENTARY INFORMATION:		
Schedule of Delinquent Taxes Receivable.....	J-1	63-64
National School Lunch and Breakfast Program – Budgetary Comparison Schedule.....	J-2	65
Debt Service Fund – Budgetary Comparison Schedule.....	J-3	66
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....		67-68
Schedule of Findings and Responses .....		69
Corrective Action Plan .....		70
Summary Schedule of Prior Audit Findings.....		71
Schedule of Required Responses to Selected School FIRST Indicators (Unaudited) .....	L-1	72

## ***INTRODUCTORY SECTION***

CERTIFICATE OF BOARD


Millsap Independent School District  
Name of School District

Parker  
County

184-904  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one)  approved  disapproved for the year ended August 31, 2020, at a meeting of the Board of Trustees of such school district on the 16<sup>th</sup> day of November, 2020.

  
\_\_\_\_\_  
Signature of Board Secretary

  
\_\_\_\_\_  
Signature of Board President

If the Board of Trustees disapproved of the auditor's report, the reason(s) for disapproving it is (are):  
(attach list as necessary)

***FINANCIAL SECTION***



# EDGIN, PARKMAN, FLEMING & FLEMING, PC

CERTIFIED PUBLIC ACCOUNTANTS

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

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

## Independent Auditor's Report on Financial Statements

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

Members of the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Millsap Independent School District (District) as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Millsap Independent School District as of August 31, 2020, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

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

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

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



**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,

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

Edgin, Parkman, Fleming & Fleming, PC

November 3, 2020

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Millsap Independent School District, we offer readers of the District's Annual Financial Report this narrative overview and analysis of the District's financial performance during the fiscal year ended August 31, 2020. Please read it in conjunction with the District's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The District's assets and deferred outflows exceeded its liabilities and deferred inflows at August 31, 2020 by \$3,474,107 (net position). Of this amount, the amount of net position that is unrestricted and may be used to meet the District's obligations is \$1,394,834.
- During the year, the District's net position increased by \$1,530,376 as a result of current operations. The District's expenses, which totaled \$14,445,301, were less than the District's program revenues of \$2,155,668 and general revenues of \$13,820,009.
- The total cost of the District's programs increased \$1,729,496 from last year. The increase is mainly attributable to HB3 which provided increased funding and mandated certain pay increases as well as pension and OPEB adjustments.
- The governmental funds reported a fund balance this year of \$7,969,108, which is an increase of \$843,565 in comparison with the prior year amount.
- At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$3,228,811, or 28% of the total General Fund expenditures.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

#### Government-Wide Financial Statements

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

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

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

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

### **Fund Financial Statements**

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

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

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

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

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

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

### **Notes to the Basic Financial Statements**

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

### **Other Information**

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

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

### Government-wide Financial Analysis

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

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

	Governmental Activities			
	2020	2019	Change	% Change
Current and other assets	\$ 8,499,484	\$ 7,771,628	\$ 727,856	9%
Capital assets, net	19,123,478	19,696,251	(572,773)	-3%
Total Assets	27,622,962	27,467,879	155,083	1%
TRS and Refunding Outflows	3,215,961	3,402,282	(186,321)	100%
Total Deferred Outflows	3,215,961	3,402,282	(186,321)	100%
Current liabilities	459,071	553,394	(94,323)	-17%
Noncurrent liabilities	24,928,145	26,955,341	(2,027,196)	-8%
Total Liabilities	25,387,216	27,508,735	(2,121,519)	-8%
TRS Related Outflows	1,977,600	1,417,695	559,905	100%
Total Deferred Outflows	1,977,600	1,417,695	559,905	100%
Net position:				
Net investment in capital assets	907,874	(236,552)	1,144,426	-484%
Restricted	1,171,399	1,438,368	(266,969)	-19%
Unrestricted	1,394,834	741,915	652,919	88%
Total Net Assets	\$ 3,474,107	\$ 1,943,731	\$ 1,530,376	79%

Investment in capital assets (e.g. land, buildings, furniture, and equipment less any related debt used to acquire those assets that is still outstanding) is \$907,874. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

A portion of the District's net position, \$1,171,399, represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position totaling \$1,394,834 is unrestricted and may be used to meet the District's ongoing obligations.

### Changes in Net Position

The District's total revenues, both program and general, were \$15,975,677. A significant portion, 42%, of the District's revenue comes from property taxes. Unrestricted grants and contributions, which includes state aid formula grants, provided 44% of the revenues and 11% comes from operating grants, while only a small percentage relates to charges for services, investment earnings and miscellaneous. Exhibited below in Table 2 are the District's revenues for the years ended August 31, 2020 and 2019 for the District's *governmental activities*.

**Table 2 - District's Revenues**

	Governmental Activities			
	2020	Percent	2019	Percent
Charges for services	\$ 378,144	2%	\$ 519,744	4%
Operating grants and contributions	1,777,524	11%	1,502,495	11%
Property taxes	6,734,071	42%	5,842,682	41%
Grants and contributions not restricted	6,967,643	44%	6,243,390	43%
Investment earnings	93,363	1%	143,919	1%
Miscellaneous	24,932	0%	19,917	0%
<b>Total Revenues</b>	<b>\$ 15,975,677</b>	<b>100%</b>	<b>\$ 14,272,147</b>	<b>100%</b>

Exhibited below in Table 3 are the District's expenses for the years ended August 31, 2020 and 2019 for the District's *governmental activities*. The total cost of all programs and services was \$14,445,301. Instructional and related costs totaled 56% of these costs while student support was 15% and nonstudent support was 11%.

**Table 3 - District's Expenses**

	Governmental Activities			
	2020	Percent	2019	Percent
Instructional & related	\$ 7,967,135	56%	\$ 6,697,356	52%
Leadership	876,053	6%	790,299	6%
Student support	2,233,505	15%	2,116,427	17%
Administrative support	829,399	6%	804,426	6%
Nonstudent support	1,607,444	11%	1,479,664	12%
Other	931,765	6%	827,633	7%
<b>Total Expenses</b>	<b>\$ 14,445,301</b>	<b>100%</b>	<b>\$ 12,715,805</b>	<b>100%</b>

**Governmental Activities**

Table 4 presents the various revenue categories and gross costs of each of the District's functional areas for both the current and prior year. Following the table, we provide explanations for the significant or unusual fluctuations between the two years.

**Table 4 - Changes in Net Position**

	Governmental Activities			
	2020	2019	Change	% Change
<b>Revenues:</b>				
Program revenues:				
Charges for services	\$ 378,144	\$ 519,744	\$ (141,600)	-27%
Operating and capital grants and contributions	1,777,524	1,502,495	275,029	18%
General revenues:				
Property taxes	6,734,071	5,842,682	891,389	15%
Grants and contributions not restricted	6,967,643	6,243,390	724,253	12%
Investment earnings	93,363	143,919	(50,556)	-35%
Miscellaneous	24,932	19,917	5,015	25%
Total revenues	<u>15,975,677</u>	<u>14,272,147</u>	<u>1,703,530</u>	<u>12%</u>
<b>Expenses</b>				
Instruction	7,780,304	6,528,159	1,252,145	19%
Instructional resources and media services	42,163	39,714	2,449	6%
Curriculum and staff development	144,668	129,483	15,185	12%
School leadership	876,053	790,299	85,754	11%
Guidance, counseling, and evaluation services	307,609	272,082	35,527	13%
Health services	176,937	165,786	11,151	7%
Student (pupil) transportation	422,794	346,155	76,639	22%
Food services	636,097	650,109	(14,012)	-2%
Cocurricular/extracurricular activities	690,068	682,295	7,773	1%
General administration	829,399	804,426	24,973	3%
Plant maintenance and operations	1,401,761	1,430,583	(28,822)	-2%
Security and monitoring services	102,980	26,535	76,445	N/A
Data processing services	102,703	22,546	80,157	356%
Interest on long-term debt	632,512	552,285	80,227	15%
Bond issuance costs and fees	5,930	6,836	(906)	-13%
Payments related to shared service arrangements	192,379	173,286	19,093	11%
Intergovernmental charges	100,944	95,226	5,718	N/A
Total expenses	<u>14,445,301</u>	<u>12,715,805</u>	<u>1,729,496</u>	<u>14%</u>
Change in net position	<u>\$ 1,530,376</u>	<u>\$ 1,556,342</u>	<u>\$ (25,966)</u>	<u>-2%</u>

Significant changes between years are as follows:

- Operating grants and contributions increased by \$275,029, mainly due to increased on-behalf revenue in the current year.
- Property taxes increased \$891,389 due to increased values.
- Grants and contributions not restricted increased \$724,253 due to increased state funding due to HB3.
- Instruction increased \$1,252,145 mainly due to mandated HB3 raises.

Table 5 presents the net cost of the District's governmental functions (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by local tax dollars, state aid, and other miscellaneous general revenues.

**Table 5 - Net Cost of Selected District Functions**

	Governmental Activities			
	2020	Percent	2019	Percent
Instructional & related	\$ 6,894,020	57%	\$ 5,842,836	55%
Leadership	792,639	6%	722,490	7%
Student support	1,480,255	12%	1,229,336	11%
Administrative support	772,696	6%	752,570	7%
Nonstudent support	1,458,800	12%	1,359,899	13%
Other	891,223	7%	786,435	7%
Total Net Costs	<u>\$ 12,289,633</u>	<u>100%</u>	<u>\$ 10,693,566</u>	<u>100%</u>

**Financial Analysis of the District's Funds**

As previously stated, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and segregation for particular purposes.

**Governmental Funds**

The focus of the District's governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

As of August 31, 2020, the District's governmental funds reported a combined ending fund balance of \$7,969,108, an increase of \$843,565 from the previous year. This increase is mainly due to positive operations in the General Fund due to increased tax collections, increased state funding, and increased ADA. Table 6 illustrates the fund balances of the governmental funds.

**Table 6 - Governmental Funds - Fund Balances  
August 31, 2020**

	General Fund	Debt Service	Other Funds	Totals
Restricted for:				
Federal and state grants	\$ -	\$ -	\$ 24,520	\$ 24,520
Debt service	-	1,075,574	-	1,075,574
Committed for:				
Construction and other	3,411,000	-	-	3,411,000
Assigned:				
Campus and other	98,803	-	130,400	229,203
Unassigned	3,228,811	-	-	3,228,811
Total Fund Balances	<u>\$ 6,738,614</u>	<u>\$ 1,075,574</u>	<u>\$ 154,920</u>	<u>\$ 7,969,108</u>

**General Fund**

At the end of the current fiscal year, the ending fund balance for the General Fund was \$6,738,614 of which \$3,228,811 was unassigned. The total fund balance represents 59% of the total General Fund expenditures for the year ended August 31, 2020. The fund balance increased by \$1,082,318 in the current fiscal year.

General Fund revenues totaled \$12,568,246, an increase of \$1,445,204, from the preceding year. The individual revenue categories that had significant fluctuations are as follows:

- Local revenues increased by \$608,154 due to increases in property taxes (values).

- State program revenues increased by \$988,298 due to HB3 and increased enrollment and attendance.
- Federal revenue decreased \$151,248 due to receipt of two years of SHARS cost report funding in the prior year.

General Fund expenditures totaled \$11,404,921, an increase of \$1,508,242 from the preceding year. The functional categories that changed the most were as follows:

- Instructional expenditures increased \$985,396 due to HB3 mandated raises.
- Co-Curricular expenditures increased \$221,302 due mainly to new batting cages.

### **Debt Service Fund**

The Debt Service Fund is used to account for general long-term debt principal and interest for debt issues and other long-term debts for which a tax has been dedicated. The total ending fund balance for the Debt Service Fund at August 31, 2020 is \$1,075,574, a decrease of \$252,196 from the prior year. Revenues increased \$286,128, due to the increase in property tax values. Expenditures increased \$741,094 from the prior year due to advance payments made on the Series 2011 Bonds and changes in the overall schedule of debt repayments.

### **Other Governmental Funds**

Other governmental funds consist of the various Special Revenue Funds. The total ending fund balance for other governmental funds combined was \$154,920, up from \$141,477 at the end of the prior year. Revenues decreased from the prior year by \$169,461 due to COVID-19 issues and expenditures decreased by \$78,728.

### **General Fund Budgetary Highlights**

Over the course of the year, the District revised its budget several times. Even with these adjustments, actual expenditures were \$1,016,088 below final budget amounts. There were no individual functional expenditure areas with significant excess budgets except instruction and facilities maintenance and operations where costs came in under budget due to conservative budgeting and COVID-19 issues. On the other hand, actual revenues were just \$58,483 above final budget amounts with the budget variance mainly in local revenue as a result of additional tax collections.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

As of August 31, 2020, the District had invested in a broad range of capital assets totaling \$19,123,478, net of accumulated depreciation, including land, buildings, and furniture and equipment. See Table 7 below.



**Table 7 - Capital Assets, Net**

	2020	2019	\$ Change	% Change
Land	\$ 947,249	\$ 947,249	\$ -	0%
Buildings and improvements	17,483,117	18,192,828	(709,711)	-4%
Furniture and equipment	622,653	537,224	85,429	16%
Construction in progress	70,459	18,950	51,509	272%
Totals	\$ 19,123,478	\$ 19,696,251	\$ (572,773)	-3%

Capital assets, net of accumulated depreciation, decreased \$572,773 from the previous year due to current depreciation expense exceeding additions. Additional information about the District's capital assets is presented in the notes to the financial statements.

### Long-term Debt

At August 31, 2020, the District had \$19,564,923 in bonds and tax maintenance notes as shown in Table 8 below.

**Table 8 - Long-term Debt**

	2020	2019	\$ Change	% Change
General obligations bonds	\$ 17,163,903	\$ 18,520,773	\$ (1,356,870)	-7%
Tax maintenance notes	861,000	1,007,000	(146,000)	-14%
Premiums on bonds	1,206,206	1,367,043	(160,837)	-12%
Accretion	235,011	364,923	(129,912)	-36%
Compensated absences	98,803	-	98,803	N/A
Totals	\$ 19,564,923	\$ 21,259,739	\$ (1,694,816)	-8%

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

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

The following indicators were taken into account when adopting the 2020-21 budget for the General Fund.

Appraised value used for the 2020-2021 budget preparation is \$474 million, compared to the \$471 million actual appraised values in 2019-2020. This is due to the increased property values and development within Millsap ISD boundaries offsetting the loss of one of the top 10 taxpayers.

General Fund spending per student will increase by \$679/student in the 2020-21 budget as compared to 2019-20 fiscal year due to the early payoff of the maintenance note.

The District's 2020-2021 refined average daily attendance was budgeted at 954 which is 10 less than 2019-2020 fiscal year. TEA hold harmless was used for 1st and 2nd six weeks along with an enrollment of 1018 and attendance of 94.85% due to the uncertainty of students returning with COVID still a major concern. After first six weeks of school, enrollment is 1030 and TEA has extended the hold harmless for the 3rd six weeks.

Amounts available for appropriation in the 2020-2021 General Fund's budget are \$12,185,361 which is a 6% increase from the 2019-2020 actual General Fund expenditures of \$11,485,926. 2019-2020 expenses were less than budgeted because school closed in March not to reopen until August due to COVID. An additional \$861,000 is budgeted for the early payoff of maintenance note. These funds are committed in fund balance.

2020-2021 amended revenues are budgeted at \$12,185,361 which reflects a decrease of \$382K from the 2019-20 actual General Fund revenues of \$12,568,245. The decrease is due to the reduced ADA, reduced interest rates and reduction in SHARS.

If these estimates are realized, the District's General Fund's fund balance will only be reduced by the amount committed for the early payoff of maintenance note August 31, 2021.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Office.

***BASIC FINANCIAL STATEMENTS***

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**AUGUST 31, 2020**

1

Data Control Codes		Governmental Activities
<b>Assets</b>		
1110	Cash and cash equivalents	\$ 1,856,930
1120	Current investments	6,150,932
1225	Property taxes receivable, net	116,039
1240	Due from other governments	336,213
1290	Other receivables	39,370
	Capital assets:	
1510	Land	947,249
1520	Buildings and improvements, net	17,483,117
1530	Furniture and equipment, net	622,653
1580	Construction in progress	70,459
1000	Total assets	<u>27,622,962</u>
<b>Deferred outflows of resources</b>		
1701	Deferred loss on refunding	1,250,516
1705	Pension-related outflows	1,303,181
1706	OPEB-related outflows	662,264
1700	Total deferred outflows of resources	<u>3,215,961</u>
<b>Liabilities</b>		
2110	Accounts payable	35,434
2140	Accrued interest	44,734
2150	Payroll deductions & withholdings	30
2160	Accrued wages payable	358,623
2180	Due to other governments	6,039
2200	Accrued expenses	11,634
2300	Unearned revenues	2,577
	Noncurrent liabilities:	
2501	Portion due or payable within one year	666,069
2502	Portion due or payable after one year	18,898,854
2540	Net pension liability	2,171,617
2545	Net OPEB liability	3,191,605
2000	Total liabilities	<u>25,387,216</u>
<b>Deferred inflows of resources</b>		
2605	Pension-related inflows	596,795
2606	OPEB-related inflows	1,380,805
2600	Total deferred inflows of resources	<u>1,977,600</u>
<b>Net Position</b>		
3200	Net investment in capital assets	907,874
	Restricted for:	
3820	Federal and state programs	24,520
3850	Debt service	1,146,879
3900	Unrestricted	1,394,834
3000	Total net position	<u>\$ 3,474,107</u>

See accompanying notes to the basic financial statements.

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

Data Control Codes	Functions/Programs	1 Expenses	3 Charges for Services	4 Program Revenues		6 Net (Expense) Revenue and Changes in Net Position
				Operating Grants and Contributions	Governmental Activities	
	Governmental activities:					
11	Instruction	\$ 7,780,304	\$ -	\$ 1,008,240		\$ (6,772,064)
12	Instructional resources and media services	42,163	-	3,051		(39,112)
13	Curriculum and staff development	144,668	-	61,824		(82,844)
23	School leadership	876,053	-	83,414		(792,639)
31	Guidance, counseling, & evaluation services	307,609	-	26,985		(280,624)
33	Health services	176,937	-	16,548		(160,389)
34	Student transportation	422,794	-	28,526		(394,268)
35	Food services	636,097	221,723	271,843		(142,531)
36	Cocurricular/extracurricular activities	690,068	156,421	31,204		(502,443)
41	General administration	829,399	-	56,703		(772,696)
51	Facilities maintenance and operations	1,401,761	-	125,924		(1,275,837)
52	Security and monitoring	102,980	-	14,348		(88,632)
53	Data processing services	102,703	-	8,372		(94,331)
72	Interest on long-term debt	632,512	-	40,542		(591,970)
73	Bond issuance costs and fees	5,930	-	-		(5,930)
93	Payments to shared service arrangements	192,379	-	-		(192,379)
99	Intergovernmental charges	100,944	-	-		(100,944)
TG	Total governmental activities	<u>\$ 14,445,301</u>	<u>\$ 378,144</u>	<u>\$ 1,777,524</u>		<u>(12,289,633)</u>
	General revenues:					
MT	Property taxes, levied for general purposes					4,893,267
DT	Property taxes, levied for debt service					1,840,804
SF	State aid - formula grants					6,967,643
IE	Investment earnings					93,363
MI	Miscellaneous					24,932
TR	Total general revenues					<u>13,820,009</u>
CN	Change in net position					1,530,376
	Net position - beginning					1,943,731
NE	Net position - ending					<u>\$ 3,474,107</u>

See accompanying notes to the basic financial statements.

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**AUGUST 31, 2020**

Data Control Codes		10 General Fund	50 Debt Service Fund
<b>Assets</b>			
1110	Cash and cash equivalents	\$ 1,463,370	\$ 224,520
1120	Investments - current	5,296,384	854,548
1225	Property taxes receivable, net	87,756	28,283
1240	Due from other governments	235,731	-
1260	Due from other funds	91,529	-
1290	Other receivables	36,825	2,545
1000	Total assets	<u>\$ 7,211,595</u>	<u>\$ 1,109,896</u>
<b>Liabilities</b>			
2110	Accounts payable	\$ 32,721	\$ -
2150	Payroll deductions and withholdings	30	-
2160	Accrued wages payable	341,621	-
2170	Due to other funds	-	-
2180	Payable to other governments	-	6,039
2200	Accrued expenditures	10,853	-
2300	Unearned revenue	-	-
2000	Total liabilities	<u>385,225</u>	<u>6,039</u>
<b>Deferred inflows of resources</b>			
2601	Unavailable revenue - property taxes	87,756	28,283
2600	Total deferred inflows of resources	<u>87,756</u>	<u>28,283</u>
<b>Fund balances</b>			
Restricted fund balances:			
3450	Federal or state funds grant restriction	-	-
3480	Retirement of long-term debt	-	1,075,574
Committed fund balance:			
3510	Construction	2,150,000	-
3520	Insurance	250,000	-
3525	Retirement of long-term debt	861,000	-
3530	Capital expenditures for equipment	150,000	-
Assigned fund balance:			
3590	Other assigned fund balances	98,803	-
3600	Unassigned	3,228,811	-
3000	Total fund balances	<u>6,738,614</u>	<u>1,075,574</u>
4000	Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,211,595</u>	<u>\$ 1,109,896</u>

*See accompanying notes to the basic financial statements.*

Other Governmental Funds	98 Total Governmental Funds
\$ 169,040	\$ 1,856,930
-	6,150,932
-	116,039
100,482	336,213
-	91,529
-	39,370
<u>\$ 269,522</u>	<u>\$ 8,591,013</u>
\$ 2,713	\$ 35,434
-	30
17,002	358,623
91,529	91,529
-	6,039
781	11,634
2,577	2,577
<u>114,602</u>	<u>505,866</u>
-	116,039
<u>-</u>	<u>116,039</u>
24,520	24,520
-	1,075,574
-	2,150,000
-	250,000
-	861,000
-	150,000
130,400	229,203
-	3,228,811
<u>154,920</u>	<u>7,969,108</u>
<u>\$ 269,522</u>	<u>\$ 8,591,013</u>

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**AUGUST 31, 2020**

Data  
Control  
Codes

	Total fund balances - governmental funds (Exhibit C-1)		\$	7,969,108
	Amounts reported for <i>governmental activities</i> in the Statement of Net Position (Exhibit A-1) are different because:			
	Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. Capital assets at year-end consist of:			
	Gross capital assets	\$	35,228,221	
1	Related accumulated depreciation		<u>16,104,743</u>	19,123,478
	Property taxes receivable are not available to pay for current period expenditures and therefore are reported as deferred inflows of resources in the funds.			
2				116,039
	Long-term liabilities are not due and payable in the current period and therefore not reported as liabilities in the funds. Long-term liabilities at year-end consist of:			
	General obligation bonds		17,163,903	
	Tax maintenance notes		861,000	
	Premiums on CIB's		1,206,206	
	Accretion		235,011	
	Deferred loss on refunding		(1,250,516)	
3	Compensated absences		<u>98,803</u>	(18,314,407)
	Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the governmental fund financial statements, interest expenditures are recorded only when due.			
4				(44,734)
	The District's net pension and OPEB liabilities and related deferred outflows and inflows related to its proportionate share of the Teacher Retirement System pension and OPEB plans are not due and payable in the current period and are, therefore, not reported in the governmental funds financial statements. These items consist of:			
	Net pension liability		2,171,617	
	Deferred outflows - pension related items		(1,303,181)	
	Deferred inflows - pension related items		596,795	
	OPEB liability		3,191,605	
	Deferred outflows - OPEB related items		(662,264)	
5	Deferred inflows - OPEB related items		<u>1,380,805</u>	<u>(5,375,377)</u>
19	Total net position - governmental activities (Exhibit A-1)		\$	<u>3,474,107</u>

See accompanying notes to the basic financial statements.



**MILLSAP INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2020**

Data Control Codes		10 General Fund	50 Debt Service Fund
<b>Revenues</b>			
5700	Local and intermediate sources	\$ 5,036,916	\$ 1,866,092
5800	State program revenues	7,207,803	40,542
5900	Federal program revenues	323,527	-
5020	Total revenues	<u>12,568,246</u>	<u>1,906,634</u>
<b>Expenditures</b>			
0011	Instruction	6,318,456	-
0012	Instructional resources and media services	37,037	-
0013	Curriculum and staff development	72,260	-
0023	School leadership	720,989	-
0031	Guidance, counseling, & evaluation services	256,218	-
0033	Health services	151,959	-
0034	Student transportation	537,912	-
0035	Food services	16,906	-
0036	Cocurricular/extracurricular activities	645,943	-
0041	General administration	719,268	-
0051	Facilities maintenance and operations	1,274,866	-
0052	Security and monitoring	81,842	-
0053	Data processing services	76,258	-
0071	Principal on long-term debt	146,000	1,356,870
0072	Interest on long-term debt	55,284	796,430
0073	Bond issuance costs and fees	400	5,530
0093	Payments to shared service arrangements	192,379	-
0099	Other intergovernmental charges	100,944	-
6030	Total expenditures	<u>11,404,921</u>	<u>2,158,830</u>
1100	Excess of revenues over expenditures	<u>1,163,325</u>	<u>(252,196)</u>
<b>Other Financing Sources (Uses)</b>			
7915	Transfers in	-	-
8911	Transfers out	(81,007)	-
7080	Total other financing sources (uses)	<u>(81,007)</u>	<u>-</u>
1200	Net change in fund balance	1,082,318	(252,196)
0100	Fund balances - beginning	<u>5,656,296</u>	<u>1,327,770</u>
3000	Fund balances - ending	<u>\$ 6,738,614</u>	<u>\$ 1,075,574</u>

*See accompanying notes to the basic financial statements.*

Other Governmental Funds	98 Total Governmental Funds
\$ 353,760	\$ 7,256,768
86,118	7,334,463
584,663	908,190
<u>1,024,541</u>	<u>15,499,421</u>
305,503	6,623,959
-	37,037
57,691	129,951
583	721,572
-	256,218
-	151,959
-	537,912
537,450	554,356
124,122	770,065
-	719,268
57,358	1,332,224
9,398	91,240
-	76,258
-	1,502,870
-	851,714
-	5,930
-	192,379
-	100,944
<u>1,092,105</u>	<u>14,655,856</u>
 <u>(67,564)</u>	 <u>843,565</u>
81,007	81,007
-	(81,007)
<u>81,007</u>	<u>-</u>
13,443	843,565
 <u>141,477</u>	 <u>7,125,543</u>
<u>\$ 154,920</u>	<u>\$ 7,969,108</u>

**MILLSAP INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2020**

Net change in fund balances - total governmental funds (Exhibit C-2)		\$ 843,565
Amounts reported for <i>governmental activities</i> in the Statement of Activities (Exhibit B-1) are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. The net difference between the two is as follows:		
Capital outlay during the year	\$ 414,769	
Depreciation expense for the year	<u>987,542</u>	(572,773)
Because property tax receivables will not be collected for several months after the District's fiscal year ends, they are not considered 'available' revenues and are deferred in the governmental funds. Deferred inflows decreased by this amount this year.		(26,258)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year long-term debt principal payments are summarized as follows:		
General obligation bonds	1,356,870	
Tax maintenance notes	<u>146,000</u>	1,502,870
The accretion and amortization of capital appreciation bonds and CIB premiums are only reported in the Statement of Activities.		290,749
Interest is accrued on long-term debt in the government-wide financial statements, whereas interest is reported when due in the governmental fund financial statements. Accrued interest decreased by:		4,873
Changes in liabilities for compensated absences are not reflected in the governmental fund financial statements, but are reported as increases and decreases in long-term liabilities of the government-wide statements. The liability for compensated absences increased by:		(98,803)
Amortization of deferred losses on refundings is only reported on the government-wide financial statements. Current amortization is:		(76,420)
The District participates in a defined benefit pension plan. Contributions to the plan are expenditures at the fund level when payments are due. At the government-wide level, pension expenses are recognized on an actuarial basis. Payments were less than the actuarial expense in the current year.		(269,378)
The District participates in an OPEB plan through TRS. Contributions to the plan are expenditures at the fund level when payments are due. At the government-wide level, OPEB expenses are recognized on an actuarial basis. Payments were less than the actuarial expense in the current year.		<u>(68,049)</u>
Change in net position of governmental activities (Exhibit B-1)		<u>\$ 1,530,376</u>

See accompanying notes to the basic financial statements.

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**AUGUST 31, 2020**

Data Control Codes		Agency Funds	Fiduciary Component Unit
		Student Activity	Millsap Education Foundation
	<b>Assets</b>		
1110	Cash and cash equivalents	\$ 61,697	\$ -
1810	Restricted assets	-	195,020
1000	Total assets	<u>\$ 61,697</u>	<u>195,020</u>
	<b>Liabilities</b>		
	Current Liabilities:		
2190	Due to student groups	\$ 61,697	-
2000	Total liabilities	<u>\$ 61,697</u>	<u>-</u>
	<b>Net Position</b>		
3800	Restricted for scholarships		195,020
3000	Total net position		<u>\$ 195,020</u>

*See accompanying notes to the basic financial statements.*

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**AUGUST 31, 2020**

	Fiduciary Component Unit
	<u>Millsap Education Foundation</u>
<b>Additions</b>	
Investment income	\$ 22,775
Contributions	23,955
Total additions	<u>46,730</u>
<b>Deductions</b>	
Scholarships paid	<u>15,414</u>
Total deductions	<u>15,414</u>
Change in net position	31,316
Net position, beginning	<u>163,704</u>
Net position, ending	<u><u>\$ 195,020</u></u>

*See accompanying notes to the basic financial statements.*

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED AUGUST 31, 2020*

A. Summary of Significant Accounting Policies

The basic financial statements of Millsap Independent School District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide (Resource Guide). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The Board of School Trustees (Board), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (TEA) or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. The District is not included in any other governmental reporting entity.

The accompanying financial statements present the District and its component unit, an entity for which the District is considered to be financially accountable. The component unit includes the separately administered organization that is controlled by or dependent on the District. Control or dependence is determined on the basis of budget adoption, funding, and appointment of the respective governing board. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. Accordingly, the Millsap Education Foundation is presented as a Fiduciary Component Unit and is included in the Statement of Fiduciary Net Position. The books are maintained on a full accrual basis of accounting.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED AUGUST 31, 2020*

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

In addition, the District reports the following fund types:

Governmental Funds:

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

Fiduciary Funds:

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

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

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

b. Measurement Focus, Basis of Accounting

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

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

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

b. Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate charges. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

c. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

At August 31, 2020, net property taxes receivable is calculated as follows:

Gross property taxes receivable	\$203,434
Allowance for uncollectible taxes	( 87,395)
Net property taxes receivable	<u>\$116,039</u>

d. Inventories and Prepaid Items

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

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



**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

e. Capital Assets

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

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

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

f. Receivable and Payable Balances

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

There are no significant receivables, except for delinquent property taxes receivable, which are not scheduled for collection within one year of year end. Of the \$203,434 gross property tax receivable at August 31, 2020, the District expects to collect approximately \$75,000 in the upcoming year.

g. Compensated Absences

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

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

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED AUGUST 31, 2020*

h. Deferred Outflows/Inflows of Resources

Deferred outflows of resources refers to the consumption of net assets that are applicable to a future reporting period. Deferred outflows of resources has a positive effect on net position, similar to assets. Notwithstanding the similarities, Concepts Statement 5 clearly establishes that deferred outflows of resources are not assets. The deferred outflows of resources reported for the year ended August 31, 2020 at the government-wide level are related to pension and OPEB plans and deferred losses on bond refunding.

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

i. Interfund Activity

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

j. Use of Estimates

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

k. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED AUGUST 31, 2020*

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the General Fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself. At August 31, 2020, management has assigned \$98,803 for retirement incentives and \$130,400 for campus activity funds.

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

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

**i. Net Position Flow Assumption**

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

**m. Fund Balance Flow Assumption**

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

**n. Data Control Codes**

Data Control Codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to insure accuracy in building a statewide database for policy development and funding plans.

**4. Pension**

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities, and additions to/deductions from TRS' fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED AUGUST 31, 2020*

5. Other Post-Employment Benefits

The fiduciary net position of the TRS Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go-plan and all cash is held in a cash account.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

The District had no violations of finance-related legal and contractual provisions for the year ended August 31, 2020.

2. Deficit Fund Balance or Fund Net Position of Individual Funds

The District does not have any funds with a deficit fund balance or deficit net position.

C. Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

1. Cash Deposits:

At August 31, 2020, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$3,463,199 and the bank balance was \$3,777,162. The District's cash deposits at August 31, 2020, and during the year ended August 31, 2020, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

At August 31, 2020, the Foundation maintained \$26,448 of deposits that were fully-insured by FDIC.

2. Investments:

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

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

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The District's investments at August 31, 2020, are shown below.

<u>Investment or Investment Type</u>	<u>Weighted Maturity (Months)</u>	<u>Fair Value</u>
TexPool Prime	2	\$4,606,360
Money Market Accounts	N/A	1,544,572
Total		<u>\$6,150,932</u>

The Foundation's investments at August 31, 2020 are shown below:

<u>Investment or Investment Type</u>	<u>Weighted Maturity (Months)</u>	<u>Fair Value</u>
Certificate of Deposit	66	<u>\$168,565</u>

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgement and considers factors specific to each asset or liability. The District values its TexPool balances at net asset value per unit/share. The certificates of deposit are valued using Level 2 inputs.

Public Funds Investment Pools

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

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

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

D. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2020 is as follows:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Other Governmental Funds	<u>\$91,529</u>	Short-term loan

2. Transfers To and From Other Funds

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>	<u>Purpose</u>
Other Governmental Funds	General Fund	<u>\$81,007</u>	Supplement operations

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

E. Capital Assets

Capital asset activity for the year ended August 31, 2020 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 947,249	\$ -	\$ -	\$ 947,249
Construction in progress	<u>18,950</u>	<u>70,459</u>	<u>18,950</u>	<u>70,459</u>
Total capital assets not being depreciated	<u>966,199</u>	<u>70,459</u>	<u>18,950</u>	<u>1,017,708</u>
Capital assets being depreciated:				
Buildings and improvements	32,011,295	177,655	-	32,188,950
Furniture and equipment	<u>1,835,957</u>	<u>185,606</u>	<u>-</u>	<u>2,021,563</u>
Total capital assets being depreciated	<u>33,847,252</u>	<u>363,261</u>	<u>-</u>	<u>34,210,513</u>
Less accumulated depreciation for:				
Buildings and improvements	13,818,466	887,367	-	14,705,833
Furniture and equipment	<u>1,298,735</u>	<u>100,175</u>	<u>-</u>	<u>1,398,910</u>
Total accumulated depreciation	<u>15,117,201</u>	<u>987,542</u>	<u>-</u>	<u>16,104,743</u>
Total capital assets being depreciated, net	<u>18,730,051</u>	<u>( 624,281)</u>	<u>-</u>	<u>18,105,770</u>
Governmental activities capital assets, net	<u>\$19,696,250</u>	<u>(\$553,822)</u>	<u>\$18,950</u>	<u>\$19,123,478</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction	\$564,537
Instructional Resources and Media Services	3,157
Curriculum and Staff Development	11,075
School Leadership	61,497
Guidance, Counseling, & Evaluation Services	21,837
Health Services	12,951
Student Transportation	31,641
Food Services	47,246
Extracurricular Activities	51,070
General Administration	61,301
Facilities Maintenance and Operations	106,955
Security and Monitoring Services	7,776
Data Processing Services	<u>6,499</u>
Total governmental depreciation	<u>\$987,542</u>

# MILLSAP INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2020

### F. Long-term Obligations

#### 1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2020, are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Governmental Activities:</u>					
General Obligation Bonds	\$18,520,773	\$ -	\$1,356,870	\$17,163,903	\$512,069
Tax Maintenance Notes	1,007,000	-	146,000	861,000	154,000
Premiums collected on CIBs	1,367,043	-	160,837	1,206,206	-
Accretion	364,923	10,273	140,185	235,011	-
Compensated absences *	-	98,803	-	98,803	-
Total governmental activities	<u>\$21,259,739</u>	<u>\$109,076</u>	<u>\$1,803,892</u>	<u>\$19,564,923</u>	<u>\$666,069</u>

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

#### 2. General Obligation Bonds and Tax Maintenance Notes

##### Unlimited Tax School Building Bonds, Series 2008

The Unlimited Tax School Building Bonds, Series 2008, consist of two types of bonds, current interest bonds (CIBs) and premium capital appreciation bonds (CABs). The CABs have maturity dates ranging from 2016 through 2020. The original par value was \$49,998 and were sold with an initial premium of \$283,669. They will mature at full value of \$550,000 after the par value is fully accreted at the maturity date. Interest rates range from 4.85% to 5.60%. The CIBs were refunded in a prior year.

##### Tax Maintenance Notes, Series 2010

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

##### Unlimited Tax Refunding Bonds, Series 2011

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

The District at its option, redeemed the CIBs in whole at par plus accrued interest in February 2020.

##### Unlimited Tax Refunding Bonds, Series 2014

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



## MILLSAP INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2020

The District reserves the right, at its option, to redeem the CIBs in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on or after February 15, 2024, and any date thereafter, at par plus accrued interest to the date of redemption.

#### Unlimited Tax Refunding Bonds, Series 2014-A

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

The District reserves the right, at its option, to redeem the CIBs in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on or after February 15, 2024 and any date thereafter, at par plus accrued interest to the date of redemption. The CABs are not subject to early redemption.

#### Unlimited Tax Refunding Bonds, Series 2015

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

The District reserves the right, at its option, to redeem the CIBs in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on or after February 15, 2031, and any date thereafter, at par plus accrued interest to the date of redemption. The CABs are not subject to early redemption.

#### Unlimited Tax Refunding Bonds, Series 2016

The Unlimited Tax Refunding Bonds, Series 2016, consist of two types of bonds, CIBs and premium CABs. The CABs mature in February 2021. The original par value was \$60,000 and were sold with an initial premium of \$80,447. They will mature at full value of \$150,000 after the par value is fully accreted at the maturity date. The interest rate on the CABs is 1.57%. The CIBs had an initial principal value of \$2,290,000 and were sold at a premium of \$315,260 that will be amortized over the life of the bonds. The bonds carry interest between 2.00% and 4.00% which is paid semi-annually until maturity at which time the principal will be due. The CIBs mature between February 2016 through February 2033 with escalating principal payments between \$45,000 and \$215,000.

The District reserves the right, at its option, to redeem the CIBs in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on or after February 15, 2027, and any date thereafter, at par plus accrued interest to the date of redemption. The CABs are not subject to early redemption.

A summary of changes in general obligation bonds and tax maintenance notes for the year ended August 31, 2020, is as follows:

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

	Amounts Outstanding 9/1/19	Issued	Retired	Amounts Outstanding 8/31/20	Amounts Due Within One Year
Unlimited Tax School Building Bonds, Series 2008:					
Capital Appreciation Bonds	\$ 6,870	\$ -	\$ 6,870	\$ -	\$ -
Unlimited Tax Refunding Bonds, Series 2011:					
Current Interest Bonds	865,000	-	865,000	-	-
Unlimited Tax Refunding Bonds, Series 2014:					
Current Interest Bonds	2,685,000	-	400,000	2,285,000	420,000
Unlimited Tax Refunding Bonds, Series 2014-A:					
Capital Appreciation Bonds	64,903	-	-	64,903	33,069
Current Interest Bonds	4,775,000	-	-	4,775,000	-
Unlimited Tax Refunding Bonds, Series 2015:					
Capital Appreciation Bonds	-	-	-	-	-
Current Interest Bonds	7,880,000	-	60,000	7,820,000	-
Unlimited Tax Refunding Bonds, Series 2016:					
Capital Appreciation Bonds	59,000	-	-	59,000	59,000
Current Interest Bonds	<u>2,185,000</u>	<u>-</u>	<u>25,000</u>	<u>2,160,000</u>	<u>-</u>
Total general obligation bonds	<u>18,520,773</u>	<u>-</u>	<u>1,356,870</u>	<u>17,163,903</u>	<u>512,069</u>
Maintenance Tax Notes, Series 2010	<u>1,007,000</u>	<u>-</u>	<u>146,000</u>	<u>861,000</u>	<u>154,000</u>
Total	<u>\$19,527,773</u>	<u>\$ -</u>	<u>\$1,502,870</u>	<u>\$18,024,903</u>	<u>\$666,069</u>

There are a number of limitations and restrictions contained in the general obligation bonds indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions.

3. Debt Service Requirements

Debt service requirements on the long-term debt at August 31, 2020 are as follows:

Year Ending August 31,	Governmental Activities		
	Principal	Interest	Total
2021	\$ 666,069	\$ 853,400	\$ 1,519,469
2022	794,834	754,543	1,549,377
2023	902,000	641,003	1,543,003
2024	931,000	607,048	1,538,048
2025	971,000	569,086	1,540,086
2026-2030	5,320,000	2,213,750	7,533,750
2031-2035	5,785,000	1,128,500	6,913,500
2036-2037	<u>2,655,000</u>	<u>107,300</u>	<u>2,762,300</u>
Totals	<u>\$18,024,903</u>	<u>\$6,874,630</u>	<u>\$24,899,533</u>

## MILLSAP INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2020

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

#### G. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2020, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

#### H. Defined Benefit Pension Plan

##### 1. Plan Description

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

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

##### 2. Pension Plan Fiduciary Net Position

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

##### 3. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using a 2.3 percent multiplier times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on the date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic cost of living adjustments (COLAs). Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan Description above.

Texas Government Code section 821.006 prohibits benefit improvements if, as a result of a particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

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

4. Contributions

Contribution requirements are established or amended pursuant to Article 16, Section 67 of the Texas Constitution, which requires the Texas Legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year.

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

	<u>Contribution Rates</u>	
	<u>2019</u>	<u>2020</u>
Members (Employees)	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	7.5%
Employer (District)	6.8%	7.5%
Members (Employees)	\$471,183	\$549,667
Non-Employer Contributing Entity (State)	\$340,844	\$521,890
Employer (District)	\$146,219	\$202,292

Contributors to the Plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools, and state agencies including TRS. In each respective role, the State contributes to the Plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.
- When the employing district is a public or charter school, the employer shall contribute 1.5% of covered payroll to the pension fund beginning in fiscal year 2020. This contribution rate called the Public Education Employer Contribution will replace the Non(OASDI) surcharge that was in effect in fiscal year 2019.

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

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

- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees. This surcharge was in effect through fiscal year 2019 and was replaced with the Public Education Employer Contribution explained above.

5. Actuarial Assumptions

The total pension liability in the August 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term Expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2019	2.63%, source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index".
Inflation	2.30%
Salary Increases Including Inflation	3.05% to 9.05%
Benefit Changes During the Year	Gradual increases in contributions in Senate Bill 12 of 86th Legislature in addition to a one-time supplemental payment.
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2018.

6. Discount Rate

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

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

The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2019 are summarized below:

<u>Asset Class</u>	<u>FYE 2019 Target Allocation % <sup>(1)</sup></u>	<u>New Target Allocation % <sup>(2)</sup></u>	<u>Long-term Expected Geometric Real Rate of Return <sup>(3)</sup></u>
<b>Global Equity</b>			
U.S.	18.0%	18.0%	6.4%
Non-U.S. Developed	13.0%	13.0%	6.3%
Emerging Markets	9.0%	9.0%	7.3%
Directional Hedge Funds	4.0%	--	--
Private Equity	13.0%	14.0%	8.4%
<b>Stable Value</b>			
U.S. Treasuries <sup>(4)</sup>	11.0%	16.0%	3.1%
Stable Value Hedge Funds	4.0%	5.0%	4.5%
Absolute Return	0.0%	0.0%	0.0%
<b>Real Return</b>			
Global Inflation Linked Bonds <sup>(4)</sup>	3.0%	--	--
Real Estate	14.0%	15.0%	8.5%
Energy, Natural Resources and Infrastructure	5.0%	6.0%	7.3%
Commodities	0.0%	0.0%	0.0%
<b>Risk Parity</b>			
Risk Parity	5.0%	8.0%	5.8% / 6.5% <sup>(5)</sup>
<b>Leverage</b>			2.3%
Cash	1.0%	2.0%	2.50%
Asset Allocation Leverage	--	-6.0%	2.70%
<b>Expected Return</b>	<b>100.00%</b>	<b>100.00%</b>	<b>7.23%</b>

<sup>(1)</sup> Target allocations are based on the Strategic Asset Allocation as of FY 2019.

<sup>(2)</sup> New allocations are based on the Strategic Asset Allocation to be implemented FY 2020.

<sup>(3)</sup> 10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.1%.

<sup>(4)</sup> New Target Allocation groups Government Bonds within the stable value allocation. This includes global sovereign nominal and inflation-linked bonds.

<sup>(5)</sup> 5.8% (6.5%) return expectation corresponds to Risk Parity with a 10% (12%) target volatility.

7. 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 (7.25%) in measuring the Net Pension Liability.

	<u>1% Decrease 6.25%</u>	<u>Current Discount Rate 7.25%</u>	<u>1% Increase 8.25%</u>
District's proportionate share of the net pension liability	<u>\$3,338,090</u>	<u>\$2,171,617</u>	<u>\$1,226,548</u>

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

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

At August 31, 2019, the District reported a liability of \$2,171,617 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for the State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$2,171,617
State's proportionate share that is associated with the District	<u>5,062,370</u>
Total	<u>\$7,233,987</u>

The net pension liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2018 through August 31, 2019.

At August 31, 2019, the District's proportion of the collective net pension liability was 0.0041775419%, which was a decrease of .000138128% from its proportion measured as of August 31, 2018.

Changes Since the Prior Actuarial Valuation

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

- The single discount rate as of August 31, 2018 was a blended rate of 6.907% and that has changed to the long-term rate of return of 7.25% as of August 31, 2019.
- With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected in the actuarial assumptions.
- The Texas Legislature approved funding for a 13th check. All eligible members retired as of December 31, 2018 will receive an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment of \$2,000, whichever is less.

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

For the year ended August 31, 2019, the District recognized pension expense of \$795,227 and revenue of \$340,844 for support provided by the State.

At August 31, 2019, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Differences between expected and actual economic experience	\$ 9,123	\$ 75,402
Changes in actuarial assumptions	673,742	278,422
Difference between projected and actual investment earnings	130,558	108,753
Changes in proportion and difference between the District contributions and the proportionate share of contributions	287,466	134,218
Contributions paid to TRS subsequent to the measurement date	<u>202,292</u>	<u>-</u>
Total	<u>\$1,303,181</u>	<u>\$596,795</u>

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

<u>Year Ended August 31</u>	<u>Pension Exp. Amount</u>
2020	\$151,526
2021	123,602
2022	116,921
2023	98,335
2024	36,686
Thereafter	( 22,976)

I. Defined Other Post-Employment Benefit Plans

1. Plan Description

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

2. OPEB Plan Fiduciary Net Position

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

3. Benefits Provided

TRS-Care provides a basic health insurance coverage to retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the



**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

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

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

4. Contributions

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

Texas Insurance Code, Section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

<u>Contribution Rates</u>		
	<u>2019</u>	<u>2020</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers (District)	0.75%	0.75%
Federal/private funding remitted by Employers	1.25%	1.25%
Employer Contributions	\$47,898	\$56,009
Member Contributions	\$39,775	\$46,400
NECE On-behalf Contributions	\$63,642	\$86,762 (1)

(1) Exclusion of \$15,573 of additional transfers made by the state to TRS related to the 86th Legislative Session, House Bill 1, made during the fiscal year ended August 31, 2020.

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$73.6 million in fiscal year 2019.

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

5. Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2018. Update procedures were used to roll forward the total OPEB liability to August 31, 2019.

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation and salary increases, used in the OPEB valuation were identical to those used in the respective TRS pension valuation. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions employed in the August 31, 2019 TRS annual pension actuarial valuation:

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

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	2.63% as of August 31, 2019
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases	3.05% to 9.05%, including inflation
Healthcare Trend Rates	10.25% for Medicare retirees and 7.50% for non-Medicare retirees. The initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 13 years.
Election Rates	Normal Retirement: 65% participation prior to age 65 and 50% after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65.
Ad hoc post-employment benefit changes	None

Other Information:

The impact of the Cadillac Tax that is returning in fiscal year 2023, has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.30%.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

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

6. Discount Rate

A single discount rate of 2.63% was used to measure the total OPEB liability. There was a decrease of 1.06% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (2.63%) in measuring the net OPEB liability.

	1% Decrease <u>1.63%</u>	Current Discount Rate <u>2.63%</u>	1% Increase <u>3.63%</u>
District's proportionate share of the net OPEB liability	<u>\$3,853,290</u>	<u>\$3,191,605</u>	<u>\$2,673,966</u>

The following schedule shows the impact of the net OPEB liability if a healthcare trend rate that is 1% less than and 1% greater than the assumed 8.5% rate is used:

	1% Decrease <u>7.5%</u>	Current Discount Rate <u>8.5%</u>	1% Increase <u>9.5%</u>
District's proportionate share of the current healthcare cost trend rate	<u>\$2,603,598</u>	<u>\$3,191,605</u>	<u>\$3,979,261</u>

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

At August 31, 2019, the District reported a liability of \$3,191,605 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for the State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	<u>\$3,191,605</u>
State's proportionate share that is associated with the District	<u>4,240,927</u>
Total	<u>\$7,432,532</u>

The net OPEB liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's contributions to OPEB relative to the contributions of all employers to the plan for the period September 1, 2018 through August 31, 2019.

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

At August 31, 2020, the District's proportion of the collective net OPEB liability was 0.0067488284%, compared to 0.0066494934% as of August 31, 2018.

Changes Since the Prior Actuarial Valuation

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

- The discount rate changed from 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019. This change increased the total OPEB liability.
- The health care trend rates were reset to better reflect the plan's anticipated experience. This change increased the total OPEB liability.
- The participation rate for pre-65 retirees was lowered from 70% to 65%. The participation rate for post-65 retirees was lowered from 75% to 50%. 25% of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the total OPEB liability.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20% to 15%. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20% to 10%. These changes decreased the total OPEB liability.

Changes of Benefit Terms Since the Prior Measurement Date

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

For the year ended August 31, 2019, the District recognized OPEB expense of \$111,773 and revenue of \$63,642 for support provided by the State.

At August 31, 2019, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Differences between expected and actual economic experience	\$156,575	\$ 522,272
Changes in actuarial assumptions	177,269	858,463
Difference between projected and actual investment earnings	414	70
Changes in proportion and difference between District contributions and proportionate share of contributions	271,997	-
Contributions paid to TRS subsequent to the measurement date	<u>56,009</u>	<u>-</u>
Total	<u>\$662,264</u>	<u>\$1,380,805</u>

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

**MILLSAP INDEPENDENT SCHOOL DISTRICT**

*NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2020*

Plan Year Ended <u>August 31</u>	<u>OPEB Exp. Amount</u>
2021	(\$138,422)
2022	( 138,422)
2023	( 138,533)
2024	( 138,597)
2025	( 138,581)
Thereafter	( 81,995)

9. Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments have been recognized as equal revenues and expenditures by the District in the amount of \$30,251, \$18,887, and \$17,544 for the years ended August 31, 2020, 2019, and 2018, respectively.

J. Commitments and Contingencies

1. Contingencies

The District participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

2. Litigation

No reportable litigation was pending against the District as of August 31, 2020.

3. Construction Commitments

During the year ended August 31, 2020, the District began minor renovations to the middle school and had approximately \$30,000 remaining to be incurred at year-end.

4. Operating Leases

The District has no significant operating leases as of August 31, 2020.

K. Shared Services Arrangements

The District is a member of the Parker County Education Shared Services Arrangement (SSA). The SSA provides services for special education to member districts. Peaster Independent School District is the fiscal agent for the SSA. In addition to the District, other member districts participate in the special education cooperative. The fiscal agent provides SSA services. The member districts provide the funds to the fiscal agent. The Shared Services Arrangements – Special Education has been accounted for using Model 3 in the SSA section of the TEA Resource Guide. The District has accounted for the payments to the fiscal agent of the SSA in the General Fund as intergovernmental expenditures. The District’s expenditures to the SSA for the current year totaled \$192,379.

## **MILLSAP INDEPENDENT SCHOOL DISTRICT**

### *NOTES TO THE FINANCIAL STATEMENTS*

*FOR THE YEAR ENDED AUGUST 31, 2020*

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in capital assets purchased by the fiscal agent, nor does the District have a net equity interest in the fiscal agent.

#### **L. COVID-19**

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

State and local governments placed restrictions on the operations of businesses and public gatherings to promote health and slow the spread of the virus. The federal government passed several appropriations to address the negative economic impact caused by these restrictions. The District received \$61,149 in federal and state grant awards during the year ended August 31, 2020. However, the impact of the COVID-19 pandemic on the national, state, and local economies and, ultimately, the District's finances is not known at this time.

***REQUIRED SUPPLEMENTARY INFORMATION***

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

Data Control Codes		Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
		Original	Final		
	Revenues:				
5700	Local and intermediate sources	\$ 4,889,071	\$ 4,949,071	\$ 5,036,916	\$ 87,845
5800	State program revenues	7,197,321	7,247,506	7,207,803	(39,703)
5900	Federal program revenues	313,001	313,186	323,527	10,341
5020	Total revenues	<u>12,399,393</u>	<u>12,509,763</u>	<u>12,568,246</u>	<u>58,483</u>
	Expenditures:				
	Instruction & instructional related services:				
0011	Instruction	6,622,388	6,627,826	6,318,456	309,370
0012	Instructional resources and media services	47,943	47,943	37,037	10,906
0013	Curriculum and staff development	84,007	133,117	72,260	60,857
	Total instruction and instructional related services	<u>6,754,338</u>	<u>6,808,886</u>	<u>6,427,753</u>	<u>381,133</u>
	Instructional and school leadership:				
0023	School leadership	785,336	753,836	720,989	32,847
	Total instructional and school leadership	<u>785,336</u>	<u>753,836</u>	<u>720,989</u>	<u>32,847</u>
	Support services - student (pupil):				
0031	Guidance, counseling and evaluation services	284,339	284,339	256,218	28,121
0033	Health services	168,276	168,276	151,959	16,317
0034	Student transportation	632,482	636,346	537,912	98,434
0035	Food services	20,858	20,858	16,906	3,952
0036	Cocurricular/extracurricular activities	756,877	727,244	645,943	81,301
	Total support services - student (pupil)	<u>1,862,832</u>	<u>1,837,063</u>	<u>1,608,938</u>	<u>228,125</u>
	Administrative support services:				
0041	General administration	812,080	813,837	719,268	94,569
	Total administrative support services	<u>812,080</u>	<u>813,837</u>	<u>719,268</u>	<u>94,569</u>
	Support services - nonstudent based:				
0051	Facilities maintenance and operations	1,459,677	1,504,514	1,274,866	229,648
0052	Security and monitoring services	77,454	97,454	81,842	15,612
0053	Data processing services	61,771	83,271	76,258	7,013
	Total support services - nonstudent based	<u>1,598,902</u>	<u>1,685,239</u>	<u>1,432,966</u>	<u>252,273</u>
	Debt service:				
0071	Principal on long-term debt	146,000	146,000	146,000	-
0072	Interest on long-term debt	55,285	55,285	55,284	1
0073	Bond issuance costs and fees	6,500	6,500	400	6,100
	Total debt service	<u>207,785</u>	<u>207,785</u>	<u>201,684</u>	<u>6,101</u>
	Capital outlay:				
0081	Capital outlay	20	20	-	20
	Total capital outlay	<u>20</u>	<u>20</u>	<u>-</u>	<u>20</u>
	Intergovernmental charges:				
0093	Payments to SSAs	208,650	208,650	192,379	16,271
0099	Other intergovernmental charges	105,696	105,693	100,944	4,749
	Total intergovernmental charges	<u>314,346</u>	<u>314,343</u>	<u>293,323</u>	<u>21,020</u>
6030	Total expenditures	<u>12,335,639</u>	<u>12,421,009</u>	<u>11,404,921</u>	<u>1,016,088</u>



**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

Data Control Codes		Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
		Original	Final		
1100	Excess of revenues over (under) expenditures	63,754	88,754	1,163,325	1,074,571
	Other financing uses:				
8911	Transfers out	(63,754)	(88,754)	(81,007)	7,747
7080	Total other financing uses	(63,754)	(88,754)	(81,007)	7,747
1200	Net change in fund balance	-	-	1,082,318	1,082,318
0100	Fund balance - beginning	5,656,296	5,656,296	5,656,296	-
3000	Fund balance - ending	\$ 5,656,296	\$ 5,656,296	\$ 6,738,614	\$ 1,082,318

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**TEACHER RETIREMENT SYSTEM OF TEXAS**  
**YEAR ENDED AUGUST 31, 2020**

	<u>2020</u>	<u>2019</u>
District's proportion of the net pension liability	<u>0.0041775419%</u>	<u>0.0043156699%</u>
District's proportionate share of the net pension liability	\$ 2,171,617	\$ 2,375,449
State's proportionate share of the net pension liability associated with the District	<u>5,062,370</u>	<u>5,343,967</u>
Total	<u>\$ 7,233,987</u>	<u>\$ 7,719,416</u>
District's covered payroll	<u>\$ 6,119,264</u>	<u>\$ 5,894,096</u>
District's proportionate share of the net pension liability as a percentage of its covered payroll	<u>35.49%</u>	<u>40.30%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>75.24%</u>	<u>73.74%</u>

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

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

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>0.0040468156%</u>	<u>0.0045083000%</u>	<u>0.0045524000%</u>	<u>0.0022094000%</u>
\$ 1,293,954	\$ 1,703,630	\$ 1,503,167	\$ 590,161
<u>3,167,018</u>	<u>3,687,620</u>	<u>3,365,827</u>	<u>2,750,380</u>
<u>\$ 4,460,972</u>	<u>\$ 5,391,250</u>	<u>\$ 4,868,994</u>	<u>\$ 3,340,541</u>
<u>\$ 5,607,135</u>	<u>\$ 5,511,808</u>	<u>\$ 4,988,621</u>	<u>\$ 4,615,030</u>
<u>23.08%</u>	<u>30.91%</u>	<u>30.13%</u>	<u>12.79%</u>
<u>82.17%</u>	<u>78.00%</u>	<u>78.43%</u>	<u>83.25%</u>

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF DISTRICT'S PENSION CONTRIBUTIONS**  
**TEACHER RETIREMENT SYSTEM OF TEXAS**  
**YEAR ENDED AUGUST 31, 2020**

	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 202,292	\$ 146,219
Contributions in relation to the contractually required contribution	<u>(202,292)</u>	<u>(146,219)</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	<u>\$ 7,138,534</u>	<u>\$ 6,119,264</u>
Contributions as a percentage of covered payroll	<u>2.83%</u>	<u>2.39%</u>

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

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

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 145,384	\$ 57,663	\$ 143,241	\$ 125,915
<u>(145,384)</u>	<u>(57,663)</u>	<u>(143,241)</u>	<u>(125,915)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 5,894,096</u>	<u>\$ 5,607,135</u>	<u>\$ 5,511,808</u>	<u>\$ 4,988,621</u>
<u>2.47%</u>	<u>1.03%</u>	<u>2.60%</u>	<u>2.52%</u>

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OTHER POST EMPLOYMENT BENEFIT (OPEB) LIABILITY**  
**TEACHER RETIREMENT SYSTEM OF TEXAS**  
**YEAR ENDED AUGUST 31, 2020**

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

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

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

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF DISTRICT'S OTHER POST EMPLOYMENT BENEFIT (OPEB) CONTRIBUTIONS**  
**TEACHER RETIREMENT SYSTEM OF TEXAS**  
**YEAR ENDED AUGUST 31, 2020**

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

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

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

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO REQUIRED SUPPLEMENTARY INFORMATION*  
*FOR THE YEAR ENDED AUGUST 31, 2020*

A. Budget

1. Basis of Budgeting

The Millsap Independent School District's (District) budget for the General Fund is prepared and presented on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

2. Budget Process

a. Budgeting

Annual budgets are legally adopted for the General Fund, Debt Service Fund, and Food Service Fund. The annual budget is presented in the accompanying schedule for the General Fund. The following procedures are used in establishing the budgetary data reflected in that schedule:

1. Prior to August 20th of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1st. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board of Trustees is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Prior to September 1st, the budget is legally enacted through passage of a resolution by the Board of Trustees.

The budget is prepared and controlled by the budget officer at the revenue object and expenditure function level.

The official budget for the General Fund was prepared and adopted through Board resolution before August 31, 2019. The administration performs budget reviews by which budget requirements are re-evaluated and revisions recommended to the Board. The Board may approve amendments to the budget, which are required when a change is made to the functional expenditure categories or revenue object accounts, as defined by the Texas Education Agency. Total expenditures may exceed total appropriations, as amended, by fund as long as those expenditures are certified as being available by the budget officer to the Board. The budget amounts reflected in the accompanying schedule represent final amended budget amounts as approved by the Board.

b. Encumbrances

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

B. Defined Benefit Pension Plan

1. Change of Benefit Terms

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



**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO REQUIRED SUPPLEMENTARY INFORMATION*  
*FOR THE YEAR ENDED AUGUST 31, 2020*

2. Changes of Assumptions

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

- The single discount rate as of August 31, 2018 was a blended rate of 6.907% and that has changed to the long-term rate of return of 7.25% as of August 31, 2019.
- With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected in the actuarial assumptions.
- The Texas Legislature approved funding for a 13th check. All eligible members retired as of December 31, 2018 will receive an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment of \$2,000, whichever is less.

C. OPEB Plan

1. Change of Benefit Terms

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

2. Changes of Assumptions

Assumptions, methods, and plan changes which are specific to the pension trust fund were updated from the prior year's report. The net pension liability increased significantly since the prior measurement date due to a change in the following actuarial assumptions:

- The single discount rate as of August 31, 2018 was a blended rate of 6.907% and that has changed to the long-term rate of return of 7.25% as of August 31, 2019.
- With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected based on the actuarial assumptions.

***NONMAJOR GOVERNMENTAL FUNDS COMBINING STATEMENTS***

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**AUGUST 31, 2020**

Data Control Codes	211 ESEA Title I Improving Basic Programs	240 National School Breakfast/Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II, A Training and Recruiting
<b>Assets</b>				
1110	\$ 5,434	\$ 28,053	\$ -	\$ -
1240	22,020	8,953	-	8,360
1000	<u>\$ 27,454</u>	<u>\$ 37,006</u>	<u>\$ -</u>	<u>\$ 8,360</u>
<b>Liabilities</b>				
2110	\$ -	\$ 137	\$ -	\$ -
2160	4,906	12,096	-	-
2170	22,020	-	-	8,360
2200	528	253	-	-
2300	-	-	-	-
2000	<u>27,454</u>	<u>12,486</u>	<u>-</u>	<u>8,360</u>
<b>Fund balances</b>				
Restricted fund balance:				
3450	-	24,520	-	-
Assigned fund balance:				
3590	-	-	-	-
3000	<u>-</u>	<u>24,520</u>	<u>-</u>	<u>-</u>
4000	<u>\$ 27,454</u>	<u>\$ 37,006</u>	<u>\$ -</u>	<u>\$ 8,360</u>

266 Elementary and Secondary School Emergency Relief	276 Title I, 1003 School Impr. Grant	289 Title IV Part A Subpart 1	410 State Textbook Fund	429 Math Achievement	461 Campus Activity Funds	Total Nonmajor Governmental Funds (See Exhibit C-1)
\$ -	\$ 2,692	\$ -	\$ 2,461	\$ -	\$ 130,400	\$ 169,040
61,149	-	-	-	-	-	100,482
<u>\$ 61,149</u>	<u>\$ 2,692</u>	<u>\$ -</u>	<u>\$ 2,461</u>	<u>\$ -</u>	<u>\$ 130,400</u>	<u>\$ 269,522</u>
\$ -	\$ 2,576	\$ -	\$ -	\$ -	\$ -	\$ 2,713
-	-	-	-	-	-	17,002
61,149	-	-	-	-	-	91,529
-	-	-	-	-	-	781
-	116	-	2,461	-	-	2,577
<u>61,149</u>	<u>2,692</u>	<u>-</u>	<u>2,461</u>	<u>-</u>	<u>-</u>	<u>114,602</u>
-	-	-	-	-	-	24,520
-	-	-	-	-	130,400	130,400
-	-	-	-	-	130,400	154,920
<u>\$ 61,149</u>	<u>\$ 2,692</u>	<u>\$ -</u>	<u>\$ 2,461</u>	<u>\$ -</u>	<u>\$ 130,400</u>	<u>\$ 269,522</u>

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

Data Control Codes		211 ESEA Title I Improving Basic Programs	240 National School Breakfast/Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II, A Training and Recruiting
<b>Revenues</b>					
5700	Local and intermediate sources	\$ -	\$ 222,807	\$ -	\$ -
5800	State program revenues	-	2,601	-	-
5900	Federal program revenues	<u>98,513</u>	<u>294,689</u>	<u>6,496</u>	<u>23,914</u>
5020	Total revenues	<u>98,513</u>	<u>520,097</u>	<u>6,496</u>	<u>23,914</u>
<b>Expenditures</b>					
0011	Instruction	76,493	-	6,496	3,000
0013	Curriculum and staff development	22,020	-	-	20,914
0023	School leadership	-	-	-	-
0035	Food services	-	537,450	-	-
0036	Cocurricular/extracurricular activities	-	-	-	-
0051	Facilities maintenance and operations	-	57,042	-	-
0052	Security and monitoring	-	-	-	-
6030	Total expenditures	<u>98,513</u>	<u>594,492</u>	<u>6,496</u>	<u>23,914</u>
1100	Excess of revenues over (under) expenditures	<u>-</u>	<u>(74,395)</u>	<u>-</u>	<u>-</u>
<b>Other Financing Sources</b>					
7915	Transfers in	<u>-</u>	<u>81,007</u>	<u>-</u>	<u>-</u>
7080	Total other financing sources	<u>-</u>	<u>81,007</u>	<u>-</u>	<u>-</u>
1200	Net change in fund balance	-	6,612	-	-
0100	Fund balances - beginning	<u>-</u>	<u>17,908</u>	<u>-</u>	<u>-</u>
3000	Fund balances - ending	<u>\$ -</u>	<u>\$ 24,520</u>	<u>\$ -</u>	<u>\$ -</u>

266 Elementary and Secondary School Emergency Relief	276 Title I, 1003 School Impr. Grant	289 Title IV Part A Subpart 1	410 State Textbook Fund	429 Math Achievement	461 Campus Activity Funds	Total Nonmajor Governmental Funds (See Exhibit C-2)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 130,953	\$ 353,760
-	-	-	66,619	16,898	-	86,118
61,148	89,903	10,000	-	-	-	584,663
<u>61,148</u>	<u>89,903</u>	<u>10,000</u>	<u>66,619</u>	<u>16,898</u>	<u>130,953</u>	<u>1,024,541</u>
60,832	74,563	10,000	66,619	7,500	-	305,503
-	14,757	-	-	-	-	57,691
-	583	-	-	-	-	583
-	-	-	-	-	-	537,450
-	-	-	-	-	124,122	124,122
316	-	-	-	-	-	57,358
-	-	-	-	9,398	-	9,398
<u>61,148</u>	<u>89,903</u>	<u>10,000</u>	<u>66,619</u>	<u>16,898</u>	<u>124,122</u>	<u>1,092,105</u>
-	-	-	-	-	6,831	(67,564)
-	-	-	-	-	-	81,007
-	-	-	-	-	-	81,007
-	-	-	-	-	6,831	13,443
-	-	-	-	-	123,569	141,477
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 130,400</u>	<u>\$ 154,920</u>

***OTHER SUPPLEMENTARY INFORMATION SECTION***

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF DELINQUENT TAXES RECEIVABLE**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

Fiscal Year Ending August 31,	1		2		3	
	Tax Rates				Assessed/Appraised Value for School Tax Purposes	
	Maintenance		Debt Service			
2011 and Prior Years	\$	Various	\$	Various	\$	Various
2012		1.1700		0.4950		272,555,195
2013		1.1700		0.4950		277,989,806
2014		1.1700		0.4950		277,941,765
2015		1.1700		0.4950		290,199,996
2016		1.1700		0.4950		297,033,052
2017		1.1700		0.4950		304,509,279
2018		1.1700		0.4422		336,711,202
2019		1.1700		0.4222		393,152,766
2020 (School year under audit)		1.0684		0.4022		458,019,721
1000 Totals						



10 Beginning Balance 9/1/2019	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/2020
\$ 64,411	\$ -	\$ 117	\$ 34	\$ (22,579)	\$ 41,681
6,580	-	328	139	(25)	6,088
23,018	-	73	31	(15,942)	6,972
18,194	-	(4,389)	(1,857)	(17,673)	6,767
9,321	-	(3,627)	(1,534)	(5,409)	9,073
9,391	-	(3,872)	(1,638)	(6,795)	8,106
14,393	-	194	82	(4,751)	9,366
27,376	-	12,731	4,812	5,367	15,200
93,216	-	45,591	16,452	(10,179)	20,994
-	6,735,409	4,820,481	1,814,758	(20,983)	79,187
<u>\$ 265,900</u>	<u>\$ 6,735,409</u>	<u>\$ 4,867,627</u>	<u>\$ 1,831,279</u>	<u>\$ (98,969)</u>	<u>\$ 203,434</u>

**MILLSAP INDEPENDENT SCHOOL DISTRICT  
NATIONAL SCHOOL LUNCH AND BREAKFAST PROGRAM  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED AUGUST 31, 2020**

Data Control Codes		Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
		Original	Final		
	Revenues:				
5700	Local and intermediate sources	\$ 288,857	\$ 263,857	\$ 222,807	\$ (41,050)
5800	State program revenues	2,100	2,100	2,601	501
5900	Federal program revenues	320,274	320,274	294,689	(25,585)
5020	Total revenues	<u>611,231</u>	<u>586,231</u>	<u>520,097</u>	<u>(66,134)</u>
	Expenditures:				
	Current:				
	Support services - student (pupil):				
0035	Food services	613,985	613,985	537,450	76,535
	Total support services - student (pupil)	<u>613,985</u>	<u>613,985</u>	<u>537,450</u>	<u>76,535</u>
	Support services - nonstudent based:				
0051	Facilities maintenance and operations	61,000	61,000	57,042	3,958
	Total support services - nonstudent based	<u>61,000</u>	<u>61,000</u>	<u>57,042</u>	<u>3,958</u>
6030	Total expenditures	<u>674,985</u>	<u>674,985</u>	<u>594,492</u>	<u>80,493</u>
1100	Excess of revenues over (under) expenditures	<u>(63,754)</u>	<u>(88,754)</u>	<u>(74,395)</u>	<u>14,359</u>
	Other financing sources:				
7915	Transfers in	63,754	88,754	81,007	(7,747)
7080	Total other financing sources	<u>63,754</u>	<u>88,754</u>	<u>81,007</u>	<u>(7,747)</u>
1200	Net change in fund balance	-	-	6,612	6,612
0100	Fund balance - beginning	17,908	17,908	17,908	-
3000	Fund balance - ending	<u>\$ 17,908</u>	<u>\$ 17,908</u>	<u>\$ 24,520</u>	<u>\$ 6,612</u>

**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**DEBT SERVICE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

Data Control Codes		Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
		Original	Final		
	Revenues:				
5700	Local and intermediate sources	\$ 1,820,960	\$ 1,845,960	\$ 1,866,092	\$ 20,132
5800	State program revenues	-	-	40,542	40,542
5020	Total revenues	<u>1,820,960</u>	<u>1,845,960</u>	<u>1,906,634</u>	<u>60,674</u>
	Expenditures:				
	Debt service:				
0071	Principal on long-term debt	1,356,872	1,356,872	1,356,870	2
0072	Interest on long-term debt	811,131	811,131	796,430	14,701
0073	Bond issuance costs and fees	9,997	9,997	5,530	4,467
	Total debt service	<u>2,178,000</u>	<u>2,178,000</u>	<u>2,158,830</u>	<u>19,170</u>
6030	Total expenditures	<u>2,178,000</u>	<u>2,178,000</u>	<u>2,158,830</u>	<u>19,170</u>
1200	Net change in fund balance	(357,040)	(332,040)	(252,196)	79,844
0100	Fund balance - beginning	<u>1,327,770</u>	<u>1,327,770</u>	<u>1,327,770</u>	-
3000	Fund balance - ending	<u>\$ 970,730</u>	<u>\$ 995,730</u>	<u>\$ 1,075,574</u>	<u>\$ 79,844</u>



## EDGIN, PARKMAN, FLEMING & FLEMING, PC

CERTIFIED PUBLIC ACCOUNTANTS

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

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

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

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

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Millsap Independent School District (District) as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 3, 2020.

### **Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

Respectfully submitted,

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

Edgin, Parkman, Fleming & Fleming, PC

November 3, 2020

# MILLSAP INDEPENDENT SCHOOL DISTRICT

## SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED AUGUST 31, 2020

### A. Summary of Auditor's Results

#### 1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?        Yes   X   No

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

Noncompliance material to the financial statements noted?        Yes   X   No

#### 2. Federal Awards

A Single Audit was not required for the year ended August 31, 2020.

### B. Financial Statement Findings

None

### C. Federal Award Findings and Questioned Costs

A Single Audit was not required for the year ended August 31, 2020.

# **MILLSAP INDEPENDENT SCHOOL DISTRICT**

## **Audit Corrective Action Plan Year Ended August 31, 2020**

There were no findings in the current year.

# **MILLSAP INDEPENDENT SCHOOL DISTRICT**

## **Summary Schedule of Prior Audit Findings Year Ended August 31, 2020**

There were no findings in the prior year.



**MILLSAP INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL**  
**FIRST INDICATORS (UNAUDITED)**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

<u>Data Control Codes</u>	<u>Responses</u>
SF1 Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2 Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF3 Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF4 Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	No
SF5 Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6 Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7 Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year end?	Yes
SF8 Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9 Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end	\$ 235,011