

**MELISSA INDEPENDENT SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

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ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2019

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CERTIFICATE OF BOARD

Melissa Independent School District  
Name of School District

Collin  
County

043-908  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) X approved \_\_\_\_\_ disapproved for the year ended August 31, 2019 at a meeting of the Board of Trustees of such school district on the 14th day of January, 2020.

*/s/ Paul Anderson*

*/s/ George James*

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

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

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

***Morgan, Davis & Company, P.C.***  
Post Office Box 8158  
Greenville, Texas 75404

**Unmodified Opinions on Basic Financial Statements Accompanied by Required Supplementary Information  
and Other Information**

**Independent Auditor's Report**

Melissa Independent School District  
1904 Cooper Street  
Melissa, Texas 75454

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Melissa Independent School District as of and for the year ended August 31, 2019 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

***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 Melissa Independent School District as of August 31, 2019 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information:***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6-10 and the Schedules contained in Exhibits G-1, G-2, G-3, G-4, & G-5 on pages 51-57 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 Melissa Independent School District's basic financial statements. The Combining Statements for Nonmajor Governmental Funds contained in Exhibits H-1 & H-2 on pages 62-68 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Statements for Nonmajor Governmental Funds are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Statements for Nonmajor Governmental Funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is in Exhibits identified in the Table of Contents as J-1, J-2, & J-3. We have applied certain limited procedures to this supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted on inquiries of management about 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 Reporting Required by *Government Auditing Standard***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2019 on our consideration of Melissa Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Melissa Independent School District's internal control over financial reporting and compliance.

*/s/ Morgan, Davis & Company, P.C.*

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Morgan, Davis & Company, P.C.  
Greenville, Texas

December 31, 2019

MELISSA INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2019

In this section of the Annual Financial and Compliance Report, we, the administrators of Melissa Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2019. Please read it in conjunction with the District's Basic Financial Statements which follow this section.

**FINANCIAL HIGHLIGHTS**

- The District's total combined net position increased by \$7,236,055 as a result of this year's operations.
- The District's liabilities exceeded its assets at the close of the most recent fiscal year by \$722,392 which represents the District's total combined net position. Of this amount, \$(732,362) (unrestricted net position) may be used to meet the District's ongoing obligations.
- As of August 31, 2019, the District's governmental funds reported a combined fund balance of \$51,031,824 compared to \$14,594,315 for the last fiscal year. Included in this increase was \$33,918,991 of unspent bond proceeds. The General Fund reported a fund balance of \$12,350,264 this fiscal year compared to \$10,008,514 the last fiscal year.
- The District's total tax rate for the 2018-2019 school year was \$ 1.67 with \$ 1.17 for maintenance & operation and \$ 0.50 for debt service.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 12 and 13). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 14) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

The notes to the financial statements (starting on page 26) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. These are not required by T.E.A. The section labeled Required Texas Education Agency Schedules contains data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

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

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

The analysis of the District's overall financial condition and operations begins on page 12. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

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

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

In the Statement of Net Position and the Statement of Activities, the District has one kind of activity:

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

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

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

The fund financial statements begin on page 14 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the ESSA Title I Part A from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes. The District's two kinds of funds—governmental and proprietary—use different accounting approaches.

- Governmental funds—Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.
- Proprietary funds—The District reports the activities for which it charges users (whether outside customers or other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. The internal service funds (a category of proprietary funds) report activities that provide services for the District's other programs and activities—such as the District's self-insurance programs.

## The District as Trustee

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

The District is the trustee, or fiduciary, for money raised by student activities. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position on page 25. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District is presenting government-wide financial analysis in the form of current year data and prior year data and the changes in these accounts. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Net position of the District's governmental activities increased from (\$7,958,447) last year to (\$722,392) at August 31, 2019. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased from \$(2,316,656) last year to \$(732,362) at August 31, 2019.

Changes in net position of the District's governmental activities were a \$7,273,882 decrease last year compared to a \$7,236,055 increase at August 31, 2019.

**Table I**  
**Melissa Independent School District**  
**NET POSITION**

	Governmental Activities 8/31/2019	Governmental Activities 8/31/2018	Net Change
Current and other assets	\$52,826,792	\$18,746,119	\$34,080,673
Capital assets	117,711,130	111,250,279	6,460,851
Total assets	<u>\$170,537,922</u>	<u>\$129,996,398</u>	<u>\$40,541,524</u>
Deferred Outflows	\$7,062,419	\$2,668,498	\$4,393,921
Current and other liabilities	\$1,610,621	\$4,268,699	(\$2,658,078)
Long-term liabilities	156,480,744	121,554,985	34,925,759
Net Pension Liability (District's Share)	7,705,734	4,261,468	3,444,266
Net OPEB Liability (District's Share)	9,195,561	6,970,666	2,224,895
Total liabilities	<u>\$174,992,660</u>	<u>\$137,055,818</u>	<u>\$37,936,842</u>
Deferred Inflows	\$3,330,073	\$3,567,525	(\$237,452)
Net Position:			
Net Investment in Capital Assets	(\$1,474,817)	(\$5,962,878)	\$4,488,061
Restricted	1,484,787	321,087	1,163,700
Unrestricted	(732,362)	(2,316,656)	1,584,294
Total Net Position	<u><u>(\$722,392)</u></u>	<u><u>(\$7,958,447)</u></u>	<u><u>\$7,236,055</u></u>



**Table II**  
**Melissa Independent School District**  
**CHANGES IN NET POSITION**

	Governmental Activities Yr Ended 8/31/2019	Governmental Activities Yr Ended 8/31/2018	Net Change
<b>Revenues:</b>			
<b>Program Revenues:</b>			
Charges for Services	\$1,815,580	\$1,452,724	\$362,856
Operating grants and contributions	2,739,699	(2,150,325)	4,890,024
<b>General Revenues:</b>			
Maintenance and operations taxes	14,103,695	11,396,694	2,707,001
Debt service taxes	6,027,185	4,870,354	1,156,831
State aid - formula grants	14,106,205	13,488,062	618,143
Grants & Contributions not restricted to specific functions	785,501	319,150	466,351
Investment Earnings	1,053,384	199,689	853,695
Miscellaneous	6,140,469	1,076,524	5,063,945
<b>Total Revenue</b>	<b>\$46,771,718</b>	<b>\$30,652,872</b>	<b>\$16,118,846</b>
<b>Expenses:</b>			
Instruction, curriculum and media services	\$20,906,206	\$13,172,032	\$7,734,174
Instructional and school leadership	1,608,527	1,045,147	563,380
Student support services	1,879,024	1,270,085	608,939
Child nutrition	1,101,857	549,551	552,306
Co curricular activities	2,525,331	1,792,417	732,914
General administration	973,969	664,868	309,101
Plant maintenance, security & data processing	4,897,243	2,911,839	1,985,404
Debt services	5,482,909	4,175,968	1,306,941
Payments to fiscal agents	41,230	45,860	(4,630)
Other intergovernmental charges	124,205	101,338	22,867
<b>Total Expenses</b>	<b>\$39,540,501</b>	<b>\$25,729,105</b>	<b>\$13,811,396</b>
<b>Increase in net position before transfers and special items</b>	<b>\$7,231,217</b>	<b>\$4,923,767</b>	<b>\$2,307,450</b>
Transfers	0	0	0
Special Items - Gain (Loss) on Asset Sale	4,838	25,372	(20,534)
Net Position at Beginning of Fiscal Year	(7,958,447)	(684,565)	(7,273,882)
Prior Period Adjustment - Implementation of GASB 75	0	(12,223,021)	12,223,021
<b>Net Position at End of Fiscal Year</b>	<b>(\$722,392)</b>	<b>(\$7,958,447)</b>	<b>\$7,236,055</b>

**THE DISTRICT'S FUNDS**

As the District completed the year, its governmental funds (as presented in Exhibit C-3 on page 18) reported a combined fund balance of \$51,031,824 compared to \$14,594,315 for the last fiscal year. The District's General Fund reported a fund balance increase of \$2,341,750, ending the year with \$12,350,264. The District's Special Revenue Funds reported a fund balance increase of \$58,394, ending the year with \$255,370. The District's Debt Service Fund reported a fund balance increase of \$1,084,396, ending the year with \$1,131,393. The District's Bond Construction Funds reported a fund balance increase of \$32,952,969, ending the year with \$37,294,797.

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments included amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in August 2018) and amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets:**

During the year ended August 31, 2019, the District invested \$9,250,429 in capital assets, consisting of land donated, construction in progress, various facility improvements, furnishings for elementary & high school, various equipment, band trailer & uniforms, maintenance tractor, gator, golf cart, and four school buses.

Capital asset activity for the year ended August 31, 2019 was as follows:

	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>
Land	\$3,931,525	\$5,514,163	\$0	\$9,445,688
Buildings & Improvements	62,464,249	55,746,807	0	118,211,056
Equipment	7,583,446	916,934	0	8,500,380
Vehicles	2,428,270	427,376	(29,884)	2,825,762
Construction in Progress	55,334,154	(53,354,851)	0	1,979,303
Totals at Historical Cost	<u>131,741,644</u>	<u>9,250,429</u>	<u>(29,884)</u>	<u>140,962,189</u>
Less accumulated depreciation for:				
Buildings & Improvements	(17,287,460)	(1,670,212)	0	(18,957,672)
Equipment	(2,286,875)	(855,779)	0	(3,142,654)
Vehicles	(917,030)	(246,425)	12,722	(1,150,733)
Total accumulated depreciation	<u>(20,491,365)</u>	<u>(2,772,416)</u>	<u>12,722</u>	<u>(23,251,059)</u>
Capital Assets, Net	<u>\$111,250,279</u>	<u>\$6,478,013</u>	<u>(\$17,162)</u>	<u>\$117,711,130</u>

**Debt:**

At year-end August 31, 2019, the District had \$156,480,743 outstanding in bonds compared to \$121,554,985 last year. During the current fiscal year, the District issued Series 2018 Bonds totaling \$34,555,000 to fund continuing construction projects.

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

The District's elected and appointed officials considered many factors when setting the fiscal-year 2019 budget, and tax rates. Several of those factors were the economy, the District's population growth, and unemployment. These factors were taken into account when adopting the General Fund budget for 2019. Amounts available for appropriation in the General Fund budget are \$7,150,264. The District has added no major new programs or initiatives to the 2019 budget.

**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 show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Melissa Independent School District, 1904 Cooper Street, Melissa, Texas.

## BASIC FINANCIAL STATEMENTS

MELISSA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
AUGUST 31, 2019

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 50,917,133
1220 Property Taxes - Delinquent	350,931
1230 Allowance for Uncollectible Taxes	(1,754)
1240 Due from Other Governments	1,559,957
1290 Other Receivables, Net	525
Capital Assets:	
1510 Land	9,445,688
1520 Buildings, Net	99,253,384
1530 Equipment, Net	5,357,726
1540 Vehicles, Net	1,675,029
1580 Construction in Progress	1,979,303
1000 Total Assets	170,537,922
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1705 Deferred Outflow Related to TRS Pension	4,962,728
1706 Deferred Outflow Related to TRS OPEB	2,099,691
1700 Total Deferred Outflows of Resources	7,062,419
<b>LIABILITIES</b>	
2110 Accounts Payable	110,868
2140 Interest Payable	250,039
2160 Accrued Wages Payable	1,162,258
2180 Due to Other Governments	38,533
2200 Accrued Expenses	27,148
2300 Unearned Revenue	21,775
Noncurrent Liabilities:	
2501 Due Within One Year	2,020,000
2502 Due in More Than One Year	154,460,744
2540 Net Pension Liability (District's Share)	7,705,734
2545 Net OPEB Liability (District's Share)	9,195,561
2000 Total Liabilities	174,992,660
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605 Deferred Inflow Related to TRS Pension	422,215
2606 Deferred Inflow Related to TRS OPEB	2,907,858
2600 Total Deferred Inflows of Resources	3,330,073
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	(1,474,817)
3820 Restricted for Federal and State Programs	8,042
3850 Restricted for Debt Service	1,229,417
3870 Restricted for Campus Activities	247,328
3900 Unrestricted	(732,362)
3000 Total Net Position	\$ (722,392)

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

MELISSA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	6
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
<b>Primary Government:</b>				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 20,402,904	\$ 439,326	\$ 1,961,077	\$ (18,002,501)
12 Instructional Resources and Media Services	321,639	-	25,216	(296,423)
13 Curriculum and Instructional Staff Development	181,663	-	24,138	(157,525)
21 Instructional Leadership	269,429	-	11,199	(258,230)
23 School Leadership	1,339,098	-	95,896	(1,243,202)
31 Guidance, Counseling and Evaluation Services	604,038	-	46,342	(557,696)
33 Health Services	313,965	-	21,317	(292,648)
34 Student (Pupil) Transportation	961,021	-	63,611	(897,410)
35 Food Services	1,101,857	706,103	166,301	(229,453)
36 Extracurricular Activities	2,525,331	533,326	59,013	(1,932,992)
41 General Administration	973,969	-	33,430	(940,539)
51 Facilities Maintenance and Operations	3,623,041	136,825	139,184	(3,347,032)
52 Security and Monitoring Services	363,281	-	24,201	(339,080)
53 Data Processing Services	910,921	-	68,774	(842,147)
72 Debt Service - Interest on Long-Term Debt	5,304,888	-	-	(5,304,888)
73 Debt Service - Bond Issuance Cost and Fees	178,021	-	-	(178,021)
93 Payments Related to Shared Services Arrangements	41,230	-	-	(41,230)
99 Other Intergovernmental Charges	124,205	-	-	(124,205)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 39,540,501	\$ 1,815,580	\$ 2,739,699	(34,985,222)
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			14,103,695
DT	Property Taxes, Levied for Debt Service			6,027,185
SF	State Aid - Formula Grants			14,106,205
GC	Grants and Contributions not Restricted			785,501
IE	Investment Earnings			1,053,384
MI	Miscellaneous Local and Intermediate Revenue			6,140,469
SI	Special Item - Gain on Asset Sale			4,838
TR	Total General Revenues and Special Items			42,221,277
CN	Change in Net Position			7,236,055
NB	Net Position - Beginning			(7,958,447)
NE	Net Position - Ending			\$ (722,392)

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

MELISSA INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2019

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Bond Const Series 2018
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 12,096,419	\$ 1,166,810	\$ 33,918,991
1220 Property Taxes - Delinquent	247,937	102,994	-
1230 Allowance for Uncollectible Taxes	(1,239)	(515)	-
1240 Due from Other Governments	1,505,366	915	-
1290 Other Receivables	525	-	-
1000 Total Assets	<u>\$ 13,849,008</u>	<u>\$ 1,270,204</u>	<u>\$ 33,918,991</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	\$ -	\$ -	\$ -
2160 Accrued Wages Payable	1,137,082	-	-
2170 Due to Other Funds	88,293	-	-
2180 Due to Other Governments	2,201	36,332	-
2200 Accrued Expenditures	24,470	-	-
2300 Unearned Revenue	15,256	6,519	-
2000 Total Liabilities	<u>1,267,302</u>	<u>42,851</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2601 Unavailable Revenue - Property Taxes	231,442	95,960	-
2600 Total Deferred Inflows of Resources	<u>231,442</u>	<u>95,960</u>	<u>-</u>
<b>FUND BALANCES</b>			
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	33,918,991
3480 Retirement of Long-Term Debt	-	1,131,393	-
3490 Other Restricted Fund Balance	-	-	-
Committed Fund Balance:			
3510 Construction	5,200,000	-	-
3600 Unassigned Fund Balance	7,150,264	-	-
3000 Total Fund Balances	<u>12,350,264</u>	<u>1,131,393</u>	<u>33,918,991</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 13,849,008</u>	<u>\$ 1,270,204</u>	<u>\$ 33,918,991</u>

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

Other Governmental Funds	Total Governmental Funds
\$ 3,627,607	\$ 50,809,827
-	350,931
-	(1,754)
53,676	1,559,957
-	525
<u>\$ 3,681,283</u>	<u>\$ 52,719,486</u>
\$ 22,253	\$ 22,253
25,176	1,162,258
-	88,293
-	38,533
2,678	27,148
-	21,775
<u>50,107</u>	<u>1,360,260</u>
-	327,402
-	327,402
8,042	8,042
3,375,806	37,294,797
-	1,131,393
247,328	247,328
-	5,200,000
-	7,150,264
<u>3,631,176</u>	<u>51,031,824</u>
<u>\$ 3,681,283</u>	<u>\$ 52,719,486</u>

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MELISSA INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
AUGUST 31, 2019

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	\$	51,031,824
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase(decrease) net position.		106,984
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$131,741,644 and the accumulated depreciation was \$20,491,365. In addition, long-term liabilities, including bonds payable of \$121,554,985, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. Accrued interest payable on long term debt of \$374,457 is not reflected in the fund financial statements, but is shown in the government-wide financial statements. The net effect of including the beginning balances for capital assets (net of depreciation), and long-term debt in the governmental activities, is to increase (decrease) net position.		(10,679,163)
3 Current year capital outlays of \$9,250,429, and long-term debt principal payments of \$1,860,000 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. Accretion on capital appreciation bonds of \$52,193, amortization of bond premiums of \$409,452, and interest payable of \$124,418 are recorded in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase (decrease) net position.		11,592,106
4 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes of \$327,402 as revenue, eliminating interfund transactions, reclassifying bond proceeds of \$37,143,018, reclassifying the net cost of assets sold of \$17,162, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		(36,832,778)
5 The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(2,772,416)
6 The District is required to recognize its proportionate share of the net pension liability required by GASB 68 of \$7,705,734, a deferred resource inflow of \$422,215, and a deferred resource outflow of \$4,962,728. The net effect of including the net pension liability, deferred resource inflows, and deferred resource outflows, is to increase (decrease) net position.		(3,165,221)
7 The District implemented GASB 75 reporting requirements for the OPEB benefit plan through TRS. The District is required to recognize its proportionate share of the OPEB liability of \$9,195,561, a deferred resource inflow of \$2,907,858, a deferred resource outflow of \$2,099,691. The net effect of including the net OPEB liability, deferred resource inflows, and deferred resource outflows, is to increase (decrease) net position.		(10,003,728)
<b>19 Net Position of Governmental Activities</b>	<b>\$</b>	<b>(722,392)</b>

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

MELISSA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Bond Const Series 2018
<b>REVENUES:</b>			
5700 Total Local and Intermediate Sources	\$ 20,781,002	\$ 6,185,747	\$ 611,347
5800 State Program Revenues	14,750,311	481,081	-
5900 Federal Program Revenues	553,248	-	-
5020 Total Revenues	<u>36,084,561</u>	<u>6,666,828</u>	<u>611,347</u>
<b>EXPENDITURES:</b>			
Current:			
0011 Instruction	17,239,578	-	-
0012 Instructional Resources and Media Services	322,665	-	-
0013 Curriculum and Instructional Staff Development	149,384	-	-
0021 Instructional Leadership	224,867	-	-
0023 School Leadership	1,148,278	-	-
0031 Guidance, Counseling, and Evaluation Services	512,484	-	-
0033 Health Services	269,403	-	-
0034 Student (Pupil) Transportation	1,047,990	-	-
0035 Food Services	-	-	-
0036 Extracurricular Activities	1,899,988	-	-
0041 General Administration	825,841	-	-
0051 Facilities Maintenance and Operations	3,302,099	-	-
0052 Security and Monitoring Services	318,719	-	-
0053 Data Processing Services	791,679	-	-
Debt Service:			
0071 Principal on Long-Term Debt	-	1,860,000	-
0072 Interest on Long-Term Debt	-	5,786,565	-
0073 Bond Issuance Cost and Fees	-	178,021	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	5,516,401	-	1,692,356
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	41,230	-	-
0099 Other Intergovernmental Charges	124,205	-	-
6030 Total Expenditures	<u>33,734,811</u>	<u>7,824,586</u>	<u>1,692,356</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,349,750</u>	<u>(1,157,758)</u>	<u>(1,081,009)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
7911 Capital Related Debt Issued	-	99,136	34,555,000
7912 Sale of Real and Personal Property	22,000	-	-
7915 Transfers In	-	-	-
7916 Premium or Discount on Issuance of Bonds	-	2,143,018	445,000
8911 Transfers Out (Use)	(30,000)	-	-
7080 Total Other Financing Sources (Uses)	<u>(8,000)</u>	<u>2,242,154</u>	<u>35,000,000</u>
1200 Net Change in Fund Balances	2,341,750	1,084,396	33,918,991
0100 Fund Balance - September 1 (Beginning)	<u>10,008,514</u>	<u>46,997</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 12,350,264</u>	<u>\$ 1,131,393</u>	<u>\$ 33,918,991</u>

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

	Other Governmental Funds	Total Governmental Funds
\$	1,393,241	\$ 28,971,337
	235,543	15,466,935
	718,836	1,272,084
	2,347,620	45,710,356
	772,672	18,012,250
	-	322,665
	15,406	164,790
	-	224,867
	-	1,148,278
	-	512,484
	-	269,403
	-	1,047,990
	1,026,077	1,026,077
	411,391	2,311,379
	-	825,841
	-	3,302,099
	-	318,719
	-	791,679
	-	1,860,000
	-	5,786,565
	-	178,021
	1,059,702	8,268,459
	-	41,230
	-	124,205
	3,285,248	46,537,001
	(937,628)	(826,645)
	-	34,654,136
	-	22,000
	868,584	868,584
	-	2,588,018
	(838,584)	(868,584)
	30,000	37,264,154
	(907,628)	36,437,509
	4,538,804	14,594,315
\$	3,631,176	\$ 51,031,824

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MELISSA INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED AUGUST 31, 2019

EXHIBIT C-4

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	36,437,509
<p>The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase (decrease) net position.</p>		
		106,984
<p>Current year capital outlays of \$9,250,429 and long-term debt principal payments of \$1,860,000 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. Accretion on capital appreciation bonds of \$52,193, amortization of bond premiums of \$409,452, and interest payable of \$124,418 are recorded in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase (decrease) net position.</p>		
		11,592,106
<p>Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing uncollectible revenue from property taxes as revenue, adjusting current year revenue by \$69,840 to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying bond proceeds of \$37,143,018, reclassifying the net cost of assets sold of \$17,162, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.</p>		
		(37,090,340)
<p>Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.</p>		
		(2,772,416)
<p>Current year changes due to GASB 68 increased revenues in the amount of \$580,958, but also increased expenses in the amount of \$1,373,390. The impact of these items is to increase (decrease) the change in net position.</p>		
		(792,432)
<p>The implementation of GASB 75 to report the District's share of the TRS OPEB plan resulted in current year increased revenues in the amount of \$311,428, but also increased expenses in the amount of \$556,784. The impact of these items is to increase (decrease) the change in net position.</p>		
		(245,356)
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>7,236,055</b>

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

MELISSA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
AUGUST 31, 2019

	Governmental Activities -
	Internal Service Fund
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 107,306
Due from Other Funds	<u>88,293</u>
Total Assets	<u>195,599</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	<u>88,615</u>
Total Liabilities	<u>88,615</u>
<b>NET POSITION</b>	
Unrestricted Net Position	<u>106,984</u>
Total Net Position	<u><u>\$ 106,984</u></u>

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

MELISSA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2019

	Governmental Activities -
	Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 181,433
Total Operating Revenues	181,433
OPERATING EXPENSES:	
Other Operating Costs	74,449
Total Operating Expenses	74,449
Operating Income	106,984
Total Net Position - September 1 (Beginning)	-
Total Net Position - August 31 (Ending)	\$ 106,984

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

MELISSA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2019

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 180,402
Cash Payments for Insurance Claims	(112,492)
Net Cash Provided by Operating Activities	67,910
Net Increase in Cash and Cash Equivalents	67,910
Cash and Cash Equivalents at Beginning of Year	39,396
Cash and Cash Equivalents at End of Year	\$ 107,306
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income:	\$ 106,984
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Receivables	(1,031)
Increase (decrease) in Accounts Payable	(38,043)
Net Cash Provided by Operating Activities	\$ 67,910

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



MELISSA INDEPENDENT SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 AUGUST 31, 2019

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	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 37,033
Total Assets	<u>\$ 37,033</u>
LIABILITIES	
Due to Student Groups	\$ 37,033
Total Liabilities	<u>\$ 37,033</u>

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

MELISSA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2019

**Note A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Melissa Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven-member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

**1. Reporting Entity**

The Board of Trustees is elected by the public and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, *"The Financial Reporting Entity,"* as amended by Statements No. 39, *"Determining Whether Certain Organizations are Component Units,"* and No. 61, *"The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 34."* There are no component units included within the reporting entity.

**2. Government-Wide and Fund Financial Statements**

The *Statement of Net Position* and the *Statement of Activities* are government-wide financial statements. They report information on all nonfiduciary activities of the District. Taxes and intergovernmental revenues normally support governmental activities. The effect of interfund activity has been removed from these statements.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Program revenues include (1) charges for services or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Program revenues included in the *Statement of Activities* reduce the cost of the function to be financed from general activities. Taxes and other items not identifiable as program revenues are reported instead as general revenues.

The District reports all direct expenses by function in the *Statement of Activities*. Direct Expenses are those clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the program expenses of each function.

Separate financial statements are provided for governmental funds and fiduciary funds. The fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**Government-Wide Financial Statements** are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

**Governmental Fund Financial Statements** are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. With this measurement focus, only current assets, current liabilities, deferred inflows of resources, deferred outflows of resources, and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses). Revenues are recognized in the accounting period in which they become both measurable and available. Expenditures are generally recorded when the liability is incurred, if measurable, except for unmatured principal and interest on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers all revenues available if they are collectible within 60 days of year-end.

Revenues from local sources consist primarily of property taxes, which are susceptible to accrual and considered available if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available at the earnings date.

The special revenue funds, except for the Child Nutrition Fund, include programs that are financed on a project grant basis. These projects have grant periods that range from less than twelve months to in excess of two years. Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. When grant funds are received in advance of being earned, they are recorded as deferred revenues until earnings criteria are met.

**Proprietary and Fiduciary Fund Financial Statements** are accounted for on a *flow of economic resources measurement focus*. Within this focus, all assets and all liabilities associated with the operation of these funds are included on the fund *Statement of Net Position*. Agency funds are custodial in nature and do not involve measurement of results or operations.

#### **4. Fund Accounting**

The District reports its financial activities through the use of “fund accounting”. The activities of the District are organized on the basis of funds. The operations of each fund are accounted for by providing a separate set of self-balancing accounts to reflect results of activities. Fund accounting segregates funds according to their intended purposes to assist management in demonstrating compliance with finance-related legal and contractual provisions.

**Governmental Funds** are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District’s expendable financial resources and the related liabilities are accounted for through the governmental funds. The following are the District’s **major** governmental funds:

General Fund – The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures that are not paid through other funds are paid from the General Fund.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the retirement of, long-term debt principal, interest, and related costs.

Bond Construction – Series 2018 – This Bond Construction Fund is used to account for financial resources to be used for the acquisition, renovation, or construction of major capital projects.

Other non-major governmental funds consist of special revenue funds and non-major bond construction funds. Special revenue funds account for resources that are legally restricted or locally committed to expenditures for specified purposes and non-major bond construction funds. Most Federal and some State financial assistance is accounted for in special revenue funds. Non-major bond construction funds are used to account for financial resources to be used for the acquisition, renovation, or construction of capital projects.

**Proprietary Funds:**

Internal Service Fund – The Internal Service Fund is established to account for revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis. The District’s Internal Service Fund is for Workers Compensation Self-Insurance.

**Fiduciary Funds:**

Agency Funds – The Agency Funds are fiduciary funds that are custodial in nature (assets equal liabilities). These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, organizations, and/or other funds. The Student Activity Fund accounts for the receipt and disbursement of monies from student activity organizations. These organizations exist with the explicit approval of and are subject to revocation by, the District’s Board of Trustees. This fund reflects the District agency relationship with the student activity organizations.

**5. Assets, Liabilities, and Deferred Inflows/Outflows**

**Cash and Cash Equivalents** – The District’s cash and cash equivalents include cash on hand, demand deposits, money market accounts with original maturities of three months or less from the date of acquisition. For purposes of the statement of cash flows for proprietary funds, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased. Cash and cash equivalents in the Internal Service fund was \$107,306 as of August 31, 2019.

**Investments** - Investments are recorded at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. District management believes that the District adheres to the requirements of the State of Texas Public Funds Investment Act regarding investment practice, management reports, and establishment of appropriate policies. Additionally, management believes that the investment practices of the District are in accordance with local policies for the current fiscal year.

**Interfund Receivables and Payables** – Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds.” All residual balances between governmental activities are eliminated in the government-wide statements.

**Capital Assets** – Capital assets, which include land, buildings, equipment, and vehicles, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

<u>Asset Classification</u>	<u>Useful Life</u>
Buildings	39-50 years
Building Improvements	15-40 years
Vehicles & Buses	5-10 years
Equipment	5-7 years

**Vacation and Sick Leave** – Vacations are to be taken within the same year they are earned, and any unused days at the end of the year are forfeited. Therefore, no liability has been accrued in the accompanying basic financial statements. Employees of the District are entitled to sick leave based on category/class of employment Sick leave is allowed to be accumulated but does not vest. Therefore, no liability exists for unused sick leave.

**Long-term Liabilities** – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the *Statement of Net Position*. Bond premiums and discounts are reported as a liability and amortized over the life of the bonds using the effective interest method. Bond issuance costs are expenses as incurred. In the fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are also reported as other financing sources while discounts on debt issuances and payments to bond refunding escrow agents are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Pensions and Other Post-Employment Benefits** – The District records its proportionate share of the net pension & OPEB liabilities of the Teacher Retirement System of Texas (TRS). The fiduciary net position of TRS has been determined using the economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability and net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions & OPEB, pension & OPEB expense, and information about assets, liabilities, and additions to/deductions from TRS and TRS-Care’s fiduciary net position. Benefit payments are recognized when due and payable in accordance with benefit terms. For the pension plan, investments are reported at fair value. For the TRS-Care OPEB plan, there are no investments as this is a pay as you go plan and all cash is held in a cash account.

**Deferred Outflows/Inflows of Resources** – In addition to assets and liabilities, the government-wide *Statement of Net Position* and governmental fund *Balance Sheet* report separate sections for deferred outflows and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position/fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent the acquisition of net position/fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reports certain deferred inflows and outflows related to pensions and other post-employment benefits on the government-wide *Statement of Net Position*.

## **6. Fund Balances and Net Position**

Net position on the government-wide *Statement of Net Position* includes the following:

Net Investment in Capital Assets reports the difference between capital assets, net of accumulated depreciation, and the outstanding balance of debt, excluding unspent bond proceeds that are directly attributable to the acquisition, construction or improvement of those capital assets.

Restricted for Federal and State Grant Programs is the component of net position restricted to be spent for specific purposes prescribed by federal and state granting agencies.

Restricted for Debt Service is the component of net position that is restricted for payment of debt service by constraints established by bond covenants.

Restricted for Campus Activities is the component of net position that is restricted for campus activities.

Restricted for Scholarships is the component of net position that is restricted for scholarships.

Unrestricted Net Position is the residual difference between assets, deferred outflows, liabilities, and deferred inflows that is not invested in capital assets or restricted for specific purpose.

It is the District’s policy to spend funds available from restricted sources prior to unrestricted sources.

Fund balances on the governmental funds’ *Balance Sheet* include the following:

Non-spendable fund balance is the portion of the gross fund balance that is not expendable because it is either not in spendable form or is legally or contractually required to be maintained intact.

Restricted fund balance includes amounts restricted for a specific purpose by the provider (such as grantors, bondholders, and high levels of government), through constitutional provisions, or by enabling legislation. Debt service resources are to be used for future servicing of the District's bonded debt and are restricted through debt covenants. Capital projects bond funds are restricted by the bondholders for the specific purpose of capital projects and capital outlays. Federal & State grant resources are restricted pursuant to the mandates of the granting agency.

Committed fund balance is that portion of fund balance that is committed to a specific purpose by the District's Board of Trustees. The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by Board action. These amounts cannot be used for any other purpose unless the Board removes or changes the constraint by exercising the same type of action originally used to commit the funds.

Unassigned fund balance is the difference between the total fund balance and the total of the non-spendable, restrict, and committed fund balances and can be utilized for any legal purpose. This portion of the total fund balance in the General Fund is available to finance operating expenditures.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When expenditures are incurred for which committed, or unassigned fund balances are available, the District considers amounts to have been spent first from committed funds, then unassigned funds, as need, unless the Board of Trustees has provided otherwise in its commitment actions.

#### **7. Data Control Codes**

The Data Control Codes refer to the account code structure prescribed by the Texas Education Agency (TEA) in the *Financial Accountability System Resource Guide*. TEA requires school districts to display these codes in the financial statements filed with the agency in order to insure accuracy in building a statewide data base for policy development and funding plans.

#### **8. Management's Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimations and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, and deferred inflows at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

#### **9. Encumbrance Accounting**

Under encumbrance accounting, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in the accounting system in order to assign the portion of the applicable appropriation. This methodology is employed in the governmental fund financial statements. Encumbrances are not liabilities and are therefore not recorded as expenditures until the receipt of the material or service. For budgetary purposes, appropriations lapse at fiscal year-end, and outstanding encumbrances at year-end are re-appropriated in the next fiscal year. There were no encumbrances at year-end considered to be significant.

#### **Note B. CASH AND INVESTMENTS**

The District's funds are required to be deposited under the terms of a depository contract pursuant to the School Depository Act. The depository bank places approved securities for safekeeping and trust with the District's agent bank 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 dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

At August 31, 2019, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts) was \$50,917,133 in the depository bank. At August 31, 2019 and during the year then ended, the District's combined deposits were fully insured by FDIC insurance or collateralized with securities held by the District's agent bank in the District's name, or by letters of credit.

Depository information required to be reported to the Texas Education Agency is as follows:

- a. Depository: Independent Bank, McKinney, Texas
- b. The highest combined balance of cash, savings, and time deposits accounts amounted to \$64,207,157 and occurred during the month of December 2018.
- c. The market value of securities pledged as of the date of the highest combined balance on deposit was \$65,642,202.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$750,000.

The Public Funds Investment Act (PFIA) (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy, which must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, municipal securities, repurchase agreements, and certain other investments. The investments owned at fiscal year-end are held by the District or its agent in the District's name.

In compliance with the PFIA, the District has adopted a deposit and investment policy, which address the following risks:

Credit Risk is the risk that a security issuer may default on an interest or principal payment. The District controls and monitors this risk by purchasing quality rated instruments that have been evaluated by nationally recognized agencies such as Standards and Poor's (S&P) or Moody's Investor Service.

Custodial Credit Risk is the risk that, in the event of the failure of a depository financial institution or counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover its deposits, value of its investments, or collateral securities that are in the possession of an outside party. The PFIA, the District's investment policy, and Government Code Chapter 2257 "Collateral for Public Funds" contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments. The District's funds are deposited and invested under terms of a depository contract with amounts greater than the FDIC coverage protected by approved pledged securities held on behalf of the District.

Concentration of Credit Risk is the risk associated with holding investments that are not pools and full faith credit securities. These risks are controlled by limiting the percentages if these investments in the District's portfolio.

Interest Rate Risk is the risk that interest rates will rise and an investment in a fixed-income security will decrease in value. Interest rate risk is reduced by diversifying, investing in securities with different durations, and laddering maturity dates. The District manages its exposure to interest rate risk by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase.

Foreign Currency Risk is the potential for loss due to fluctuations in exchange rates. The District's policy does not allow for any direct foreign investments, and therefore the District is not exposed to foreign currency risk.

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 below 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.

The District has the following recurring fair value measurements as of August 31, 2019:

Cash & Cash Equivalents of \$50,917,133 are valued using quoted market prices (Level 1 inputs).

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

**Note C. PROPERTY TAXES**

The District's ad valorem property tax is levied on all real and business personal property located in the District. A lien exists on all property on January 1<sup>st</sup> of each year. Tax statements are mailed on October 1<sup>st</sup> each year or as soon thereafter as possible. Taxes are due upon receipt and become delinquent if not paid before February 1<sup>st</sup> of the following calendar year. The assessed value of the roll as of the end of the fiscal year was \$1,205,441,907.

The tax rates levied for the fiscal year ended August 31, 2019, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.17 and \$0.50 per \$100 valuation, respectively, for a total of \$1.67 per \$100 valuation.

Current year tax collections, including delinquent taxes collected this year, for the period ended August 31, 2019, were 100.73% of the levy, compared to 104.99% in the prior fiscal year.

The ad valorem tax rate is allocated each year between the General Fund and the Debt Service Fund. The full amount estimated to be required for general obligation bond retirement is provided by the debt service tax together with any available state funding and interest earned within the Debt Service Fund.

Allowances for uncollectible taxes within the General Fund and the Debt Service Fund are based on a historical experience. 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.

**Note D. RECEIVABLES**

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Available School Fund.

Receivables due from other governments as of August 31, 2019 are as follows:

<u>Fund</u>	<u>State Grants</u>	<u>Federal Grants</u>	<u>Other Governments</u>	<u>Totals</u>
General Fund	\$1,503,224	\$0	\$2,142	\$1,505,366
Debt Service Funds	0	0	915	915
Special Revenue Funds	19,851	33,825	0	53,676
<b>Totals</b>	<b>\$1,523,075</b>	<b>\$33,825</b>	<b>\$3,057</b>	<b>\$1,559,957</b>



**Note E. INTERFUND TRANSACTIONS**

Interfund balances at August 31, 2019, consisted of the following individual receivables & payables:

**Due to Internal Service Fund from:**

General Fund	\$88,293
Total Due to Internal Service Fund from Other Funds	<u>\$88,293</u>

Interfund transfers for the year ended August 31, 2019, consisted of the following individual amounts:

**Transfers to Nonmajor Governmental Funds from:**

General Fund	\$30,000
Total Transferred to Nonmajor Governmental Funds from Other Funds	<u>\$30,000</u>

**Transfers to Nonmajor Governmental Funds from:**

Nonmajor Governmental Fund-Bond Construction-Series 2016-B	\$838,584
Total Transferred to Nonmajor Governmental Funds from Other Funds	<u>\$838,584</u>

**Note F. CAPITAL ASSETS**

A summary of changes in capital assets for the year ended August 31, 2019 is as follows:

	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>
Land	\$3,931,525	\$5,514,163	\$0	\$9,445,688
Buildings & Improvements	62,464,249	55,746,807	0	118,211,056
Equipment	7,583,446	916,934	0	8,500,380
Vehicles	2,428,270	427,376	(29,884)	2,825,762
Construction in Progress	55,334,154	(53,354,851)	0	1,979,303
Totals at Historical Cost	<u>131,741,644</u>	<u>9,250,429</u>	<u>(29,884)</u>	<u>140,962,189</u>
Less accumulated depreciation for:				
Buildings & Improvements	(17,287,460)	(1,670,212)	0	(18,957,672)
Equipment	(2,286,875)	(855,779)	0	(3,142,654)
Vehicles	(917,030)	(246,425)	12,722	(1,150,733)
Total accumulated depreciation	<u>(20,491,365)</u>	<u>(2,772,416)</u>	<u>12,722</u>	<u>(23,251,059)</u>
Capital Assets, Net	<u>\$111,250,279</u>	<u>\$6,478,013</u>	<u>(\$17,162)</u>	<u>\$117,711,130</u>

Depreciation expense for the current year was charged to governmental functions as follows:

11 Instruction	\$1,515,593
12 Instructional Resources & Media Services	25,260
13 Curriculum & Instructional Staff Development	25,260
23 School Leadership	101,040
31 Guidance, Counseling, & Evaluation Services	50,520
33 Health Services	25,260
34 Student (Pupil) Transportation	296,945
35 Food Services	75,780
36 Cocurricular/Extracurricular Activities	202,079
41 General Administration	75,780
51 Plant Maintenance & Operations	277,859
52 Security & Monitoring Services	25,260
53 Data Processing Services	75,780
	<hr/>
Total Depreciation Expense	<u><u>\$2,772,416</u></u>

**Note G. LONG-TERM DEBT**

A summary of changes in long-term debt for the year ended August 31, 2019 is as follows:

	<u>Beginning</u>				<u>Amounts Due</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>within One</u>
					<u>Year</u>
Governmental Activities:					
General Obligation Bonds	\$109,455,000	\$34,555,000	(\$1,860,000)	\$142,150,000	\$2,020,000
Accumulated Accretion on CABs	227,029	52,193	0	279,222	
Unamortized Bond Premiums	11,872,956	2,588,018	(409,453)	14,051,521	
Total Bonds Payable, Government-Wide	<u>\$121,554,985</u>	<u>\$37,195,211</u>	<u>(\$2,269,453)</u>	<u>\$156,480,743</u>	<u>\$2,020,000</u>

**Bonds**

The District has entered into a continuing disclosure undertaking to provide annual reports and material event notices to the State Information Depository of Texas (SID), 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.

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2019.

A summary of changes in bonds for the year ended August 31, 2019 is as follows:

<u>Description</u>	<u>Interest Rates Payable</u>	<u>Amounts of Original Issue</u>	<u>Interest Current Year</u>	<u>Beginning Amounts Outstanding 9/01/18</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending Amounts Outstanding 8/31/19</u>
Unlimited Tax Bldg Bonds-Series 2009	2.00-5.20%	3,380,000	9,200	230,000	0	(230,000)	0
Unlimited Tax Refunding Bonds-Series 2012	2.00-3.25%	2,365,000	54,525	1,825,000	0	(90,000)	1,735,000
Unlimited Tax Bldg Bonds-Series 2013	3.00-5.00%	18,495,000	789,350	18,385,000	0	(70,000)	18,315,000
Capital Appreciation Bonds-Series 2013	4.60%	5,000	0	5,000	0	0	5,000
Unlimited Tax Refunding Bonds-Series 2014	2.00-4.00%	8,720,000	312,125	8,310,000	0	(175,000)	8,135,000
Capital Appreciation Bonds-Series 2014	2.35-2.70%	270,000	0	270,000	0	0	270,000
Unlimited Tax Bldg & Refunding Bonds-Series 2015	2.00-4.50%	8,940,000	276,700	7,300,000	0	(375,000)	6,925,000
Unlimited Tax Bldg & Refunding Bonds-Series 2016	2.00-5.00%	45,525,000	1,886,250	45,100,000	0	(380,000)	44,720,000
Unlimited Tax Bldg Bonds-Series 2016B	2.00-5.00%	23,360,000	987,325	23,265,000	0	(455,000)	22,810,000
Unlimited Tax Refunding Bonds-Series 2017	2.00-5.00%	4,790,000	178,006	4,765,000	0	(85,000)	4,680,000
Unlimited Tax Bldg Bonds-Series 2018	3.00-5.00%	34,555,000	1,293,083	0	34,555,000	0	34,555,000
Total General Obligation Bonds			\$5,786,564	\$109,455,000	\$34,555,000	(\$1,860,000)	\$142,150,000
Accumulated Accretion on CABs				227,029	52,193	0	279,222
Unamortized Bond Premiums on CABs				984,854	0	0	984,854
Unamortized Bond Premiums on GOBs				10,888,102	2,588,018	(409,453)	13,066,667
Total Bonds Payable, Government-Wide Financials				\$121,554,985	\$37,195,211	(\$2,269,453)	\$156,480,743

A portion of the above bonds were capital appreciation bonds, commonly referred to as “premium compound interest bonds”. These bonds were issued at a discount to their par or maturity value and will accrete interest until maturity. The accreted value equals the par value plus accreted interest plus the unamortized bond premium.

Summary information for the capital appreciation bonds is as follows:

<u>Series</u>	<u>Capital Appreciation Bonds</u>	
	<u>Stated Value</u>	<u>Accreted Value, 8/31/19</u>
2013	\$5,000	\$703,879
2014	\$270,000	\$835,197

Debt service requirements for bonds are as follows:

<u>Year Ending August 31,</u>	<u>General Obligation Bonds</u>		<u>Total Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2020	\$2,020,000	\$6,245,931	\$8,265,931
2021	2,305,000	6,304,181	8,609,181
2022	2,985,000	5,892,331	8,877,331
2023	3,435,000	5,785,756	9,220,756
2024	3,560,000	5,662,556	9,222,556
2025-2029	20,225,000	25,879,444	46,104,444
2030-2034	24,920,000	21,189,575	46,109,575
2035-2039	28,985,000	17,118,100	46,103,100
2040-2044	35,370,000	8,458,200	43,828,200
2045-Maturity	18,345,000	1,865,950	20,210,950
Total General Obligation Bonds	<u>\$142,150,000</u>	<u>\$104,402,024</u>	<u>\$246,552,024</u>

**Note H. DUE TO OTHER GOVERNMENTS**

As of August 31, 2019, the District owed \$2,201 to Texas Education Agency for 2018-2019 state foundation revenue overpaid. The District also owed \$28,223 to Texas Education Agency for 2018-2019 existing debt allotment revenue overpaid, and \$8,109 for 2018-2019 instructional facility allotment revenue overpaid. Texas Education Agency will deduct these amounts owed from the District's 2019-2020 funding.

**Note I. UNEARNED REVENUE & UNAVAILABLE REVENUE**

Unearned revenue is that portion of the net revenue receivable which is expected to be collected within the first 60 days following the fiscal year end. Unavailable revenue is that portion of the net revenue receivable which is not expected to be collected within the first 60 days following the fiscal year end.

Unearned revenue and Unavailable revenue at August 31, 2019 consisted of the following:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Totals</u>
Unearned Revenue:				
Property Tax Revenue	\$15,256	\$0	\$6,519	\$21,775
Total Unearned Revenue	<u>\$15,256</u>	<u>\$0</u>	<u>\$6,519</u>	<u>\$21,775</u>
Unavailable Revenue:				
Property Tax Revenue	\$231,442	\$0	\$95,960	\$327,402
Total Unavailable Revenue	<u>\$231,442</u>	<u>\$0</u>	<u>\$95,960</u>	<u>\$327,402</u>

**Note J. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES**

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Projects Funds</u>	<u>Totals</u>
Property Taxes	\$14,210,716		\$0	\$0	\$20,278,616
Penalties, Interest, & Other Tax					
Related Income	84,037	0	29,504	0	113,541
Investment Income	260,014	0	88,343	705,027	1,053,384
Tuition	375,238	0	0	0	375,238
Rent	136,825	0	0	0	136,825
Gifts & Bequests	5,583,310	126,905	0	0	5,710,215
Food Service Sales	0	707,603	0	0	707,603
Athletics	68,274	0	0	0	68,274
Co-curricular	0	465,053	0	0	465,053
Other	62,588	0	0	0	62,588
<b>Totals</b>	<b>\$20,781,002</b>	<b>\$1,299,561</b>	<b>\$6,185,747</b>	<b>\$705,027</b>	<b>\$28,971,337</b>

### **Note K. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the current fiscal year, the District purchased commercial insurance to cover general liabilities. There are 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.

#### **Health Care Coverage**

During the year ended August 31, 2019, all employees of the District were offered health care coverage under the TRS Active Care insurance plan (the Plan), which is a statewide health insurance coverage program for public education employees established by the 77<sup>th</sup> Texas Legislature. The District contributed \$509 per month per enrolled employee, which includes \$75 per month which is reimbursed by the State of Texas to the Plan. Employees, at their option, authorized payroll withholdings to pay the additional cost of the premiums for themselves and dependents.

#### **Workers Compensation Coverage**

The District is self-funded for workers compensation insurance and has an interlocal agreement with Claims Administration Services, Inc. (CAS) to serve as the District's third-party administrator. Transactions related to the plan are accounted for in the Workers Compensation Insurance Fund (the "Fund"), an internal service fund of the District. The District makes all contributions to the fund. Claims Administrative Services, Inc. obtained excess loss insurance, which limited annual claims paid from the entire fund for the year ended August 31, 2019, to \$350,000 for any individual participant. At August 31, 2019, the District's unpaid claims totaled \$88,615, which includes incurred but not reported claims. The liability is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information obtained prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing the claims liability does not necessarily result in an exact amount. Claims are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

Changes in the balances of claims liabilities during the past two years are as follows:

	<u>Year Ended August 31, 2018</u>	<u>Year Ended August 31, 2019</u>
Unpaid claims, beginning of fiscal year	\$60,689	\$126,658
Incurred claims (including IBNR's)	131,099	74,449
Claim payments	(65,130)	(112,492)
Unpaid claims, end of fiscal year	<u>\$126,658</u>	<u>\$88,615</u>

### **Litigation and Contingencies**

The District may be subjected to loss contingencies arising principally in the normal course of operations. In the opinion of the administration, the outcome of any lawsuits will not have a material adverse effect on the accompanying financial statements and accordingly no provision for losses has been recorded.

### **State and Federal Programs**

The District participates in numerous state and federal 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 adjustments 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 at August 31, 2019 may be impaired. In the opinion of the District, there are no significant contingent liabilities related to compliance with rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

### **Construction Commitments**

The District was obligated at August 31, 2019, under various contracts for construction of a tennis facility, a high school addition, and an indoor facility. The construction in progress for these projects totaled \$1,979,303 as of August 31, 2019. The retainage payable for these projects totaled \$22,253 as of August 31, 2019. The outstanding construction commitments associated with these projects including retainage totaled approximately \$2,283,736 as of August 31, 2019.

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

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

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

**Pension Plan Fiduciary Net Position.** Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2018 Comprehensive Annual Financial Report by TRS provides the following information regarding the components of the Net Pension Liability of the pension plan as of August 31, 2018:

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$ 209,611,328,793
Less: Plan Fiduciary Net Position	<u>154,568,901,833</u>
Net Pension Liability	<u>\$ 55,042,426,960</u>
<b>Net position as a percentage of total pension liability</b>	<b>73.74%</b>

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

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 85th Texas Legislature, General Appropriations Act (GAA) affirmed that the employer contribution rates for fiscal years 2018 and 2019 would remain the same. Contribution rates can be found in the TRS 2018 CAFR, Note 11, on page 76.

	<u>Contribution Rates</u>	
	<u>2018</u>	<u>2019</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2019 FY Employer Contributions		\$ 523,712
District's 2019 FY Member Contributions		\$ 1,320,638
Measurement Year NECE On-Behalf Contributions		\$ 756,126

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education 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 (including public schools) are required to pay the employer contribution rate in the following instances:

On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.

During a new member's first 90 days of employment

When any part or all of an employee's salary is paid by federal funding sources or a privately sponsored source.

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 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.

**Actuarial Assumptions**

**Roll Forward** - A change was made in the measurement date of the total pension liability for the 2018 measurement year. The actuarial valuation was performed as of August 31, 2017. Update procedures were used to roll forward the total pension liability to August 31, 2018. This is the first year using the roll forward procedures.

The total pension liability is determined by an annual actuarial valuation. The actuarial methods and assumptions were selected by the Board of Trustees based upon analysis and recommendations by the System's actuary. The Board of Trustees has sole authority to determine the actuarial assumptions used for the Plan. The active mortality rates were based on 90 percent of the RP 2014 Employee Mortality Tables for males and females. The post-retirement mortality rates were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables.

The following table discloses the assumptions that were applied to this measurement period.

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.907%
Long-term expected Rate	7.25%
Municipal Bond Rate as of August, 2018	3.69% - Source for the rate is the Fixed Income Market
Data/Yield Curve/Data Municipal Bonds exempt municipal bonds as reported	with 20 years to maturity that include only federally tax-in Fidelity index's "20-Year Municipal GO AA Index."
Last year ending August 31 in Projection Period (100 years)	2116
Inflation	2.30%
Salary Increases	3.05% to 9.05% including inflation
Ad hoc Post Employment Benefit Changes	None

The actuarial methods and assumptions were primarily based on a study of actual experience for the three-year period ending August 31, 2017 and were adopted in July, 2018.

**Discount Rate.** The single discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.69%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position was sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018 (see page 52 of the TRS CAFR) are summarized below:

Asset Class	Target Allocation*	Long-Term Expected Arithmetic Real Rate of Return**	Expected Contribution to Long-Term Portfolio Returns
<b>Global Equity</b>			
U.S.	18.00%	5.70%	1.04%
Non-U.S. Developed	13.00	6.90	0.90
Emerging Markets	9.00	8.95	0.80
Directional Hedge Funds	4.00	3.53	0.14
Private Equity	13.00	10.18	1.32
<b>Stable Value</b>			
U.S. Treasuries	11.00%	1.11	0.12
Absolute Return	0.00	0.00	0.00
Hedge Funds (Stable Value)	4.00	3.09	0.12
Cash	1.00	(0.30)	0.00



<b>Real Return</b>			
Global Inflation Linked Bonds	3.00	0.70	0.02
Real Assets	14.00	5.21	0.73
Energy and Natural Resources	5.00	7.48	0.37
Commodities	0.00	0.00	0.00
<b>Risk Parity</b>			
Risk Parity	<u>5.00</u>	<u>3.70</u>	<u>0.18</u>
Inflation Expectations			2.30
Volatility Drag***			(0.79)
<b>Total</b>	<b>100%</b>		<b>7.25%</b>

\* Target Allocations are based on the FY 2016 policy model

\*\* Capital market assumptions come from Aon Hewitt (2017 Q4)

\*\*\*The Expected Contribution to Long-Term Portfolio Returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns,

**Discount Rate Sensitivity Analysis.** The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (6.907%) in measuring the Net Pension Liability. The discount rate can be found in the 2018 TRS CAFR, Note 11, page 78.

	1% Decrease in Discount Rate (5.907%)	Current Single Discount Rate (6.907%)	1% Increase in Discount Rate (7.907%)
District's proportionate share of the net pension liability:	\$ 11,629,801	\$ 7,705,734	\$ 4,528,970

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** At August 31, 2019, Bells Independent School District reported a liability of \$7,705,734 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Bells Independent School District. The amount recognized by Bells Independent School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Bells Independent School District were as follows:

District's Proportionate share of the collective net pension liability	\$ 7,705,734
State's proportionate share that is associated with the District	<u>12,362,139</u>
Total	<u>\$ 20,067,873</u>

The net pension liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2017 rolled forward to August 31, 2018. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2017 through August 31, 2018.

At August 31, 2018 the employer's proportion of the collective net pension liability was 0.000139996265% compared to the 0.000133276625% as of August 31, 2017. This was an increase of 0.00006719640%.

**Changes Since the Prior Actuarial Valuation** – 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 total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.

Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.

Economic assumptions including rates of salary increase for individual participants were updated based on the same experience study.

The discount rate changed from 8.0 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018.

The long term assumed rate of return changed from 8.0 percent to 7.25 percent.

The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net pension liability.

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, Bells Independent School District recognized pension expense of \$1,223,522 and revenue of \$1,223,522 for support provided by the State in the Government Wide Statement of Activities.

At August 31, 2019, Bells Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources: (The amounts shown below will be the cumulative layers from the current and prior years combined.)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	\$ 48,031	\$ 189,068
Changes in actuarial assumptions	2,778,288	86,822
Net Difference between projected and actual investment earnings		146,210
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,612,697	115
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	523,712	
Total	\$4,962,728	\$422,215

The net amounts of the employer's balances of deferred outflows and inflows (not including the deferred contribution paid subsequent to the measurement date) of resources related to pensions will be recognized in pension expense as follows:

Year ended August 31:	Pension Expense Amount
2020	\$ 1,047,009
2021	739,313
2022	652,431
2023	687,114
2024	563,301
Thereafter	327,633

#### **Note M. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS**

**Plan Description.** The Bells Independent School 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 Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

**OPEB Plan Fiduciary Net Position.** Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.texas.gov>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2018 are as follows:

<u>Net OPEB Liability</u>	<u>Total</u>
Total OPEB Liability	\$ 50,729,490,103
Less: plan fiduciary net position	<u>798,574,633</u>
Net OPEB liability	<u>\$ 49,930,915,470</u>
<b>Net position as a percentage of total OPEB liability</b>	<b>1.57%</b>

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

Eligible non-Medicare retirees and their dependents may pay premiums to participate in the high-deductible health plans. Eligible Medicare retirees and their dependents may pay premiums to participate in the Medicare Advantage health plans. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes, including automatic COLAs.

The 85th Legislature, Regular Session, passed the following statutory changes in HB 3976 which became effective on September 1, 2017. These are described below under the section "Changes in Benefit Terms".

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for a retiree with and without Medicare coverage. These new premium rates for retirees with Medicare Part A and Part B became effective January 1, 2018. (See the TRS CAFR page 70 for plan rates effective from September 1, 2016 - December 31, 2017.)

TRS-Care Monthly Premium rates Effective January 1, 2018 - Dec. 31, 2018			
		<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

**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 .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent 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 which is 0.75% of each active employee's pay for fiscal year 2018. The following table shows contributions to the TRS-Care plan by type of contributor.

	<u>Contribution Rates</u>	
	<u>2018</u>	<u>2019</u>
Active Employee	0.65%	0.65
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding Remitted by Employers	1.25%	1.25%
District's 2019 FY Employer Contributions		\$ 147,743
District's 2019 FY Member Contributions		\$ 111,481
Measurement Year NECE On-Behalf Contributions		\$ 190,306

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.

With Senate Bill 1, 85th Legislature, Regular Session, TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$182.6 million in fiscal year 2018. House Bill 30 of the 85th Legislature provided an additional \$212 million in a one-time supplemental funding for the FY 2018-2019 biennium. One-time supplemental contributions during fiscal 2018 totaled \$394.6 million.

**Actuarial Assumptions.** The total OPEB liability in the August 31, 2017 actuarial valuation was rolled forward to August 31, 2018. The actuarial valuation was determined using the following actuarial assumptions:

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation that was rolled forward to August 31, 2018:

Rates of Mortality  
 Rates of Retirement  
 Rates of Termination  
 Rates of Disability Incidence

General Inflation  
 Wage Inflation  
 Expected Payroll Growth

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017 Rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.69% Sourced from fixed Income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2018.
Aging Factors	Based on Plan Specific Experience
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% after age 65.
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases	3.05% - 9.05%
Ad-hoc Post Employment Benefit Changes	None

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

2018 thresholds of \$850/\$2,292 were indexed annually by 2.50 percent.

Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.

There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

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

**Discount Rate.** A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase of .27 percent in the discount rate since the previous year. The Discount Rate can be found in the 2018 TRS CAFR on page 71. 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.

**Sensitivity of the Net OPEB Liability:**

**Discount Rate Sensitivity Analysis.** The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.69%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.69%)	Current Single Discount Rate (3.69%)	1% Increase in Discount Rate (4.69%)
District's proportionate share of the Net OPEB Liability:	\$ 10,945,878	\$ 9,195,561	\$ 7,810,949

**Healthcare Cost Trend Rates Sensitivity Analysis** - The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the Net OPEB Liability:	\$ 7,637,064	\$ 9,195,561	\$ 11,248,137

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs.** At August 31, 2019, Bells Independent School District reported a liability of \$9,195,561 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for 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 Bells Independent School District were as follows:

District's Proportionate share of the collective net OPEB liability	\$ 9,195,561
State's proportionate share that is associated with the District	<u>13,793,755</u>
Total	<u>\$ 22,989,316</u>

The Net OPEB Liability was measured as of August 31, 2018 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2017 thru August 31, 2018.

At August 31, 2018 the employer's proportion of the collective Net OPEB Liability was 0.000184165686% compared to the 0.000160295866% as of August 31, 2017. This is an increase of 0.000023869820%.

**Changes in Actuarial Assumptions 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:

Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the Total OPEB Liability.

The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the Total OPEB Liability.

Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the Total OPEB Liability.

The discount rate changed from 3.42 percent as of August 31, 2017 to 3.69 percent, as of August 31, 2018. This change lowered the Total OPEB Liability \$2.3 billion.

**Changes in Benefit Terms:** The 85th Legislature, Regular Session passed the following statutory changes which became effective on September 1, 2017:

Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.

Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants.

Allowed the System to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare.

Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period.

Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan Years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums.

For the year ended August 31, 2019, Bells Independent School District recognized OPEB expense of \$501,734 and revenue of \$501,734 for support provided by the State.

At August 31, 2019, Bells Independent School 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	\$ 487,974	\$145,119
Changes in actuarial assumptions	153,449	2,762,739
Net Difference between projected and actual investment earnings	1,608	
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,308,917	
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	147,743	
Total	\$2,099,691	\$2,907,858

The net amounts of the employer's balances of deferred outflows and inflows (not including the deferred contribution paid subsequent to the measurement date) of resources related to OPEBs will be recognized in OPEB expense as follows:

Year ended August 31:	OPEB Expense Amount
2020	\$ (199,087)
2021	(199,087)
2022	(199,087)
2023	(199,391)
2024	(199,565)
Thereafter	40,307

**Note N. 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 the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. The allocation of these on-behalf payments is based on the ratio of a reporting entity's covered payroll to the entire payroll reported by all reporting entities. State Contributions for Medicare Part D made on behalf of Melissa Independent School District's employees were \$60,064, \$45,605, and \$43,224, respectively for fiscal years ended August 31, 2019, 2018, and 2017.

**Note O. JOINT VENTURES – SHARED SERVICE ARRANGEMENTS**

The District participates in shared services arrangements for educational services, with other school districts. 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 fixed assets purchased by the fiscal agent, nor does the district have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Melissa Independent School District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement.

**Note P. SUBSEQUENT EVENTS**

In reviewing its financial statements, management has evaluated events subsequent to the balance sheet date through December 31, 2019, which is the date the financial statements were available to be issued. After the current fiscal year ended, on October 23, 2019, the District issued new Series 2019 bonds totaling \$40,000,000 to fund continuing construction projects.

**Note Q. FEDERAL AWARDS RECONCILIATION**

The total federal revenue on Exhibit C-3 was \$1,272,084. This includes \$520,494 in SHARS program revenue and \$29,500 in E-rate program revenue in the General Fund that is not considered Federal Awards as defined by the Single Audit Act. The Federal Awards for the District were \$722,090, which is less than the \$750,000 threshold to have a Single Audit.

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REQUIRED SUPPLEMENTAL INFORMATION

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MELISSA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 14,217,310	\$ 20,653,120	\$ 20,781,002	\$ 127,882
5800 State Program Revenues	12,965,131	14,680,131	14,750,311	70,180
5900 Federal Program Revenues	210,000	523,000	553,248	30,248
5020 Total Revenues	27,392,441	35,856,251	36,084,561	228,310
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	16,866,643	17,372,919	17,239,578	133,341
0012 Instructional Resources and Media Services	277,624	327,624	322,665	4,959
0013 Curriculum and Instructional Staff Development	148,983	153,983	149,384	4,599
0021 Instructional Leadership	171,330	228,330	224,867	3,463
0023 School Leadership	1,115,694	1,150,694	1,148,278	2,416
0031 Guidance, Counseling, and Evaluation Services	502,561	514,561	512,484	2,077
0033 Health Services	245,282	272,282	269,403	2,879
0034 Student (Pupil) Transportation	1,263,101	1,052,891	1,047,990	4,901
0036 Extracurricular Activities	1,301,566	1,905,751	1,899,988	5,763
0041 General Administration	930,751	840,751	825,841	14,910
0051 Facilities Maintenance and Operations	3,295,074	3,322,574	3,302,099	20,475
0052 Security and Monitoring Services	259,826	321,826	318,719	3,107
0053 Data Processing Services	809,066	807,255	791,679	15,576
Capital Outlay:				
0081 Facilities Acquisition and Construction	30,000	5,556,810	5,516,401	40,409
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	50,000	50,000	41,230	8,770
0099 Other Intergovernmental Charges	125,000	125,000	124,205	795
6030 Total Expenditures	27,392,501	34,003,251	33,734,811	268,440
1100 Excess (Deficiency) of Revenues Over (Under)	(60)	1,853,000	2,349,750	496,750
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	-	22,000	22,000	-
8911 Transfers Out (Use)	-	(60,000)	(30,000)	30,000
7080 Total Other Financing Sources (Uses)	-	(38,000)	(8,000)	30,000
1200 Net Change in Fund Balances	(60)	1,815,000	2,341,750	526,750
0100 Fund Balance - September 1 (Beginning)	10,008,514	10,008,514	10,008,514	-
3000 Fund Balance - August 31 (Ending)	\$ 10,008,454	\$ 11,823,514	\$ 12,350,264	\$ 526,750

MELISSA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED AUGUST 31, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016
District's Proportion of the Net Pension Liability (Asset)	0.000139996%	0.000133277%	0.000115843%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 7,705,734	\$ 4,261,468	\$ 4,377,552
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	12,362,139	7,069,208	7,967,161
Total	<u>\$ 20,067,873</u>	<u>\$ 11,330,676</u>	<u>\$ 12,344,713</u>
District's Covered Payroll	\$ 15,495,179	\$ 14,573,540	\$ 12,891,946
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	49.73%	29.24%	33.96%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.74%	82.17%	78.00%

Note: GASB Codification, Vol. 2, P20.183 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for year 2015.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

<u>FY 2016</u>		<u>FY 2015</u>	
<u>Plan Year 2015</u>		<u>Plan Year 2014</u>	
	0.000100034%		0.000049488%
\$	3,536,069	\$	1,321,893
	6,791,628		5,464,793
<u>\$ 10,327,697</u>		<u>\$ 6,786,686</u>	
\$	10,731,867	\$	9,378,090
	32.95%		14.10%
	78.43%		83.25%

MELISSA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR FISCAL YEAR 2019

	2019	2018	2017
Contractually Required Contribution	\$ 523,712	\$ 471,612	\$ 520,142
Contribution in Relation to the Contractually Required Contribution	523,712	471,612	520,142
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 17,151,111	\$ 15,495,179	\$ 14,573,540
Contributions as a Percentage of Covered Payroll	3.05%	3.04%	3.57%

Note: GASB Codification, Vol. 2, P20.183 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

<hr/>	
2016	2015
<hr/>	
\$ 442,127	\$ 357,731
442,127	357,731
<hr/>	
\$ -	\$ -
<hr/> <hr/>	
\$ 12,891,946	\$ 10,731,867
3.43%	3.33%

MELISSA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED AUGUST 31, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.000184166%	0.000160296%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 9,195,561	\$ 6,970,666
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	13,793,755	11,858,406
Total	<u>\$ 22,989,316</u>	<u>\$ 18,829,072</u>
District's Covered Payroll	\$ 15,495,179	\$ 14,573,540
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	59.34%	47.83%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.57%	0.91%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2019 are for the measurement date August 31, 2018. The amounts for FY 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.



MELISSA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR FISCAL YEAR 2019

	2019	2018
Contractually Required Contribution	\$ 147,743	\$ 127,048
Contribution in Relation to the Contractually Required Contribution	147,743	127,048
Contribution Deficiency (Excess)	\$ -	\$ -
District's Covered Payroll	\$ 17,151,111	\$ 15,495,179
Contributions as a Percentage of Covered Payroll	0.86%	0.82%

Note: GASB Codification, Vol. 2, P50.238 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

Information in this schedule should be provided only for the years where data is available. Eventually 10 years of data should be presented.

MELISSA INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED AUGUST 31, 2019

**A. Notes to Schedules for the TRS Pension**

*Changes of Benefit terms.*

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

*Changes of Assumptions.*

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 total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017.
- . Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- . Economic assumptions including rates of salary increase for individual participants were updated based on the same experience study.
- . The discount rate changed from 8.0 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018.
- . The long term assumed rate of return changed from 8.0 percent to 7.25 percent.
- . The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net pension liability.

**B. Notes to Schedules for the TRS OPEB Plan**

*Changes in Benefit.*

The 85th Legislature, Regular Session passed the following statutory changes which became effective on September 1, 2017:

Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.

Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants.

Allowed the System to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare.

Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the net enrollment period.

Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan Years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums.

*Changes in Assumptions.*

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

Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the Total OPEB Liability.

The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the Total OPEB Liability.

Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the Total OPEB Liability.

The discount rate changed from 3.42 percent as of August 31, 2017 to 3.69 percent, as of August 31, 2018. This change lowered the Total OPEB Liability \$2.3 billion.

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

2018 thresholds of \$850/\$2,292 were indexed annually by 2.50 percent.

Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.

There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

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

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## COMBINING STATEMENTS

MELISSA INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2019

Data Control Codes	211 ESSA I, A Improving Basic Program	224 IDEA Part B Formula	225 IDEA Part B Preschool	226 IDEA Part B Discretionary
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ (72)	\$ (2,357)	\$ -	\$ -
1240 Due from Other Governments	3,226	25,496	-	-
1000 Total Assets	<u>\$ 3,154</u>	<u>\$ 23,139</u>	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
2110 Accounts Payable	\$ -	\$ -	\$ -	\$ -
2160 Accrued Wages Payable	2,843	20,859	-	-
2200 Accrued Expenditures	311	2,280	-	-
2000 Total Liabilities	<u>3,154</u>	<u>23,139</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	-	-
3490 Other Restricted Fund Balance	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 3,154</u>	<u>\$ 23,139</u>	<u>\$ -</u>	<u>\$ -</u>

240 National Breakfast and Lunch Program	255 ESSA II, A Training and Recruiting	263 Title III, A English Lang. Acquisition	288 ESSA Title IV Part A	289 Summer School LEP	385 Visually Impaired SSVI	410 Instructional Materials Allotment	461 Campus Activity Funds
\$ 4,636	\$ (75)	\$ -	\$ (61)	\$ -	\$ -	\$ (19,851)	\$ 247,328
3,406	777	-	920	-	-	19,851	-
<u>\$ 8,042</u>	<u>\$ 702</u>	<u>\$ -</u>	<u>\$ 859</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 247,328</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	633	-	841	-	-	-	-
-	69	-	18	-	-	-	-
<u>-</u>	<u>702</u>	<u>-</u>	<u>859</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
8,042	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	247,328
<u>8,042</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>247,328</u>
<u>\$ 8,042</u>	<u>\$ 702</u>	<u>\$ -</u>	<u>\$ 859</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 247,328</u>

MELISSA INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2019

Data Control Codes	Total Nonmajor Special Revenue Funds	694 Bond Construction Series 2016	695 Bond Construction Series 2016-B	Total Nonmajor Governmental Funds	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ 229,548	\$ 769,463	\$ 2,628,596	\$ 3,627,607
1240	Due from Other Governments	53,676	-	-	53,676
1000	Total Assets	<u>\$ 283,224</u>	<u>\$ 769,463</u>	<u>\$ 2,628,596</u>	<u>\$ 3,681,283</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ -	\$ -	\$ 22,253	\$ 22,253
2160	Accrued Wages Payable	25,176	-	-	25,176
2200	Accrued Expenditures	2,678	-	-	2,678
2000	Total Liabilities	<u>27,854</u>	<u>-</u>	<u>22,253</u>	<u>50,107</u>
<b>FUND BALANCES</b>					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	8,042	-	-	8,042
3470	Capital Acquisition and Contractual Obligation	-	769,463	2,606,343	3,375,806
3490	Other Restricted Fund Balance	247,328	-	-	247,328
3000	Total Fund Balances	<u>255,370</u>	<u>769,463</u>	<u>2,606,343</u>	<u>3,631,176</u>
4000	Total Liabilities and Fund Balances	<u>\$ 283,224</u>	<u>\$ 769,463</u>	<u>\$ 2,628,596</u>	<u>\$ 3,681,283</u>



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MELISSA INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	211 ESSA I, A Improving Basic Program	224 IDEA Part B Formula	225 IDEA Part B Preschool	226 IDEA Part B Discretionary
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	42,172	366,494	3,928	108,146
5020 Total Revenues	42,172	366,494	3,928	108,146
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	42,172	366,494	3,928	108,146
0013 Curriculum and Instructional Staff Development	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	42,172	366,494	3,928	108,146
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	-	-	-
8911 Transfers Out (Use)	-	-	-	-
7080 Total Other Financing Sources (Uses)	-	-	-	-
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

240 National Breakfast and Lunch Program	255 ESSA II, A Training and Recruiting	263 Title III, A English Lang. Acquisition	288 ESSA Title IV Part A	289 Summer School LEP	385 Visually Impaired SSVI	410 Instructional Materials Allotment	461 Campus Activity Funds
\$ 834,508	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 465,053
1,519	-	-	-	-	-	234,024	-
164,782	13,921	5,989	12,012	1,252	140	-	-
1,000,809	13,921	5,989	12,012	1,252	140	234,024	465,053
-	-	5,989	10,527	1,252	140	234,024	-
-	13,921	-	1,485	-	-	-	-
1,026,077	-	-	-	-	-	-	-
-	-	-	-	-	-	-	411,391
-	-	-	-	-	-	-	-
1,026,077	13,921	5,989	12,012	1,252	140	234,024	411,391
(25,268)	-	-	-	-	-	-	53,662
30,000	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
30,000	-	-	-	-	-	-	-
4,732	-	-	-	-	-	-	53,662
3,310	-	-	-	-	-	-	193,666
\$ 8,042	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 247,328

MELISSA INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	Total Nonmajor Special Revenue Funds	694 Bond Construction Series 2016	695 Bond Construction Series 2016-B	Total Nonmajor Governmental Funds
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 1,299,561	\$ 27,278	\$ 66,402	\$ 1,393,241
5800 State Program Revenues	235,543	-	-	235,543
5900 Federal Program Revenues	718,836	-	-	718,836
5020 Total Revenues	<u>2,253,940</u>	<u>27,278</u>	<u>66,402</u>	<u>2,347,620</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	772,672	-	-	772,672
0013 Curriculum and Instructional Staff Development	15,406	-	-	15,406
0035 Food Services	1,026,077	-	-	1,026,077
0036 Extracurricular Activities	411,391	-	-	411,391
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	141,183	918,519	1,059,702
6030 Total Expenditures	<u>2,225,546</u>	<u>141,183</u>	<u>918,519</u>	<u>3,285,248</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>28,394</u>	<u>(113,905)</u>	<u>(852,117)</u>	<u>(937,628)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	30,000	838,584	-	868,584
8911 Transfers Out (Use)	-	-	(838,584)	(838,584)
7080 Total Other Financing Sources (Uses)	<u>30,000</u>	<u>838,584</u>	<u>(838,584)</u>	<u>30,000</u>
1200 Net Change in Fund Balance	58,394	724,679	(1,690,701)	(907,628)
0100 Fund Balance - September 1 (Beginning)	<u>196,976</u>	<u>44,784</u>	<u>4,297,044</u>	<u>4,538,804</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 255,370</u>	<u>\$ 769,463</u>	<u>\$ 2,606,343</u>	<u>\$ 3,631,176</u>

REQUIRED TEXAS EDUCATION AGENCY SCHEDULES

MELISSA INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
 FISCAL YEAR ENDED AUGUST 31, 2019

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2010 and prior years	\$ 1.040000	\$ 0.500000	\$ 422,733,905
2011	1.040000	0.500000	417,006,205
2012	1.040000	0.500000	426,933,889
2013	1.040000	0.500000	438,642,628
2014	1.170000	0.370000	481,248,624
2015	1.170000	0.370000	565,700,031
2016	1.170000	0.500000	659,376,119
2017	1.170000	0.500000	793,924,065
2018	1.170000	0.500000	974,074,754
2019 (School year under audit)	1.170000	0.500000	1,205,441,907
1000 TOTALS			

(10) Beginning Balance 9/1/2018	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2019
\$ 46,222	\$ -	\$ 39	\$ 19	\$ (13,854)	\$ 32,310
9,862	-	202	97	(623)	8,940
11,595	-	271	130	(273)	10,921
21,127	-	14,971	7,197	11,042	10,001
16,039	-	24,964	7,894	39,322	22,503
21,389	-	27,976	8,847	54,587	39,153
24,349	-	34,530	14,757	64,437	39,499
13,957	-	29,057	12,418	50,059	22,541
101,013	-	45,509	19,448	28,417	64,473
-	20,130,880	14,033,197	5,997,093	-	100,590
<u>\$ 265,553</u>	<u>\$ 20,130,880</u>	<u>\$ 14,210,716</u>	<u>\$ 6,067,900</u>	<u>\$ 233,114</u>	<u>\$ 350,931</u>

MELISSA INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
 FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 477,450	\$ 807,450	\$ 834,508	\$ 27,058
5800 State Program Revenues	1,813	1,813	1,519	(294)
5900 Federal Program Revenues	191,680	163,084	164,782	1,698
5020 Total Revenues	<u>670,943</u>	<u>972,347</u>	<u>1,000,809</u>	<u>28,462</u>
<b>EXPENDITURES:</b>				
Current:				
0035 Food Services	<u>670,943</u>	<u>1,032,347</u>	<u>1,026,077</u>	<u>6,270</u>
6030 Total Expenditures	<u>670,943</u>	<u>1,032,347</u>	<u>1,026,077</u>	<u>6,270</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(60,000)	(25,268)	34,732
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	60,000	30,000	(30,000)
1200 Net Change in Fund Balances	-	-	4,732	4,732
0100 Fund Balance - September 1 (Beginning)	<u>3,310</u>	<u>3,310</u>	<u>3,310</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 3,310</u>	<u>\$ 3,310</u>	<u>\$ 8,042</u>	<u>\$ 4,732</u>



MELISSA INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - DEBT SERVICE FUND  
 FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 5,947,984	\$ 6,140,000	\$ 6,185,747	\$ 45,747
5800 State Program Revenues	365,000	365,000	481,081	116,081
5020 Total Revenues	6,312,984	6,505,000	6,666,828	161,828
<b>EXPENDITURES:</b>				
Debt Service:				
0071 Principal on Long-Term Debt	1,860,000	1,860,000	1,860,000	-
0072 Interest on Long-Term Debt	4,493,481	5,786,565	5,786,565	-
0073 Bond Issuance Cost and Fees	6,500	179,721	178,021	1,700
6030 Total Expenditures	6,359,981	7,826,286	7,824,586	1,700
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(46,997)	(1,321,286)	(1,157,758)	163,528
<b>OTHER FINANCING SOURCES (USES):</b>				
7911 Capital Related Debt Issued	-	99,136	99,136	-
7916 Premium or Discount on Issuance of Bonds	-	2,143,018	2,143,018	-
7080 Total Other Financing Sources (Uses)	-	2,242,154	2,242,154	-
1200 Net Change in Fund Balances	(46,997)	920,868	1,084,396	163,528
0100 Fund Balance - September 1 (Beginning)	46,997	46,997	46,997	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ 967,865	\$ 1,131,393	\$ 163,528

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COMPLIANCE & INTERNAL CONTROL SECTION

**Morgan, Davis & Company, P.C.**  
Post Office Box 8158  
Greenville, Texas 75404

**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***

**Independent Auditor's Report**

Melissa Independent School District  
1904 Cooper Street  
Melissa, Texas 75454

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 Melissa Independent School District, as of and for the year ended August 31, 2019 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 31, 2019.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*/s/ Morgan, Davis & Company, P.C.*

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Morgan, Davis & Company, P.C.  
Greenville, Texas

December 31, 2019

MELISSA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2019

**Summary of Auditor's Results:**

The type of report we issued on whether the financial statements of Melissa Independent School District were prepared in accordance with GAAP as an unmodified opinion.

With respect to internal control over financial reporting, we identified no material weaknesses and we reported no significant deficiencies.

We noted no noncompliance material to the financial statements,

**Financial Statements Findings:**

There are no findings related to financial statements which are required to be reported in accordance with *Generally Accepted Auditing Standards*.

MELISSA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2019

(Prepared by the District's Administration)

There were no prior audit findings which required corrective action.

MELISSA INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED AUGUST 31, 2019

(Prepared by the District's Administration)

There were no corrective actions necessary for the year ended August 31, 2019.



SCHOOLS FIRST QUESTIONNAIRE

Melissa Independent School District

Fiscal Year 2019

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SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	279,222
SF11	Net Pension Assets (1920) at fiscal year-end.	
SF12	Net Pension Liabilities (2540) at fiscal year-end.	7,705,734
SF13	Pension Expense (6147) at fiscal year-end.	