

MAY INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2019

May Independent School District
Annual Financial Report
For The Year Ended August 31, 2019

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Introductory Section

CERTIFICATE OF BOARD

May Independent School District
Name of School District

Brown
County

025-905
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) approved disapproved for the year ended August 31, 2019, at a meeting of the board of trustees of such school district on the 22 day of January, 2020.



Signature of Board Secretary



Signature of Board President

Financial Section

BURL D. LOWERY
CERTIFIED PUBLIC ACCOUNTANT

BURL D. LOWERY, C.P.A.
JOYCE CORNELIUS, C.P.A.

Member A.I.C.P.A. & T.S.C.P.A.
Post Office Box 626
311 Center
Brownwood, Texas 76804

Telephone 325-646-8838
Fax 325-643-2157

Independent Auditor's Report

To the Board of Trustees
May Independent School District
3400 E County Road 411
May, Texas 76857

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the May Independent School District ("the 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I 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.

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

Opinions

In my 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 May 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.

Emphasis of Matter

Change in Accounting Principle

As described in Note A to the financial statements, in 2019, May Independent School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and budgetary comparison information and schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions, and schedule of the District's proportionate share of the net OPEB liability and schedule of District OPEB contributions identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

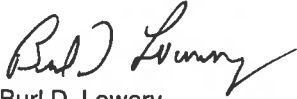
My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the May Independent School District's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 my opinion, the combining and individual nonmajor fund financial statements and other supplementary information are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated January 20,2020 on my consideration of May Independent School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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 May Independent School District's internal control over financial reporting and compliance.



Burl D. Lowery
Certified Public Accountant

Brownwood, TX
January 20,2020

MAY INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

This section of May Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2019. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$3,470,954 at August 31, 2019.
- During the year, the District's expenses were \$208,366 less than the \$3,932,271 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs increased by \$1,216,973 during the current year. The total revenues increased by \$917,918 during the current year. The comparative totals include the OPEB positive revenues and negative expenditures caused by the implementation of GASB 75 in 2018.
- The general fund reported a fund balance this year of \$1,801,720. The components of the fund balance were \$810,000 committed for construction, capital expenditures for equipment, and other expenditures as well as \$15,846 assigned for athletics, and unassigned balance of \$975,874.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual* parts of the government, reporting the District's operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short-* and *long-term* financial information about the activities the government operates *like businesses*, such as food service.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report information about the District's net position and how they have changed. Net position-the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources- are one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base.

The government-wide financial statements of the District include the *Governmental activities*. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services and general administration. Property taxes and grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds*-not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has the following kinds of funds:

- *Governmental funds*-Most of the District's basic services are included in governmental funds, which focus on (1) how *cash* and *other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary funds*-Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. The District has no Proprietary Fund Types.
- We use *internal service funds* to report activities that provided workers compensation insurance for the District's employees in prior years.

- *Fiduciary funds*-The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that-because of a trust arrangement-can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We excluded these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations. These funds consist of student activity funds that belong to clubs and organizations and scholarship funds.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net positions were \$3,470,954 at August 31, 2019 and \$3,270,558 at August 31, 2018.

The net investment in capital assets at August 31, 2019 was \$2,978,091. The District has restricted net positions in the amounts of \$251,758 restricted for debt service, \$1,078 restricted for state and federal programs, and \$288 restricted for other purposes. The remaining balance of net position is \$239,739 of unrestricted net position August 31, 2019.

Changes in Net Position. The District's total revenues were \$3,932,271. A significant portion, 54%, of the District's revenue comes from taxes. State available and foundation grants provide 25% of total revenues; operating grants provide 18% of total revenues. Only 2% relates to charges for services.

The total cost of all programs and services was \$3,723,905; 53% of these costs are for instruction and instructional related services. (Expenditure Functions 11, 12, and 13).

Governmental Activities

- Property tax rates for maintenance stayed at a rate of \$1.04 per \$100 valuation during the current year. The debt service tax rate decreased \$0.56 to a rate of \$0.2567. This generated tax revenue of \$2,109,018 after consideration of tax loss due to freeze of \$94,455. The District's total levy of taxes increased \$14,907 from the prior year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental activities totaled \$3,932,271, an increase of approximately 30% from the preceding year. The District's refined ADA was 247.471 for 2018-2019, 273.037 for 2017-2018 and 274.744 for 2016-2017. Foundation money is being paid to the District in 2019-2020 based on an ADA estimate of 230. Final state aid will be based on the District's refined ADA.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget. Actual expenditures were \$100,953 below final budgeted amounts of the General Fund. Resources available were \$100,818 less than the final estimated revenues of the General Fund. Net budgeted excess revenues over expenditures were \$135 more than the final budgeted amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2019, the District had a net investment of \$5,642,795 in a broad range of capital assets, including land, equipment, buildings, vehicles, and infrastructure. This amount represents a net decrease (including additions and deductions) of \$265,286 or 4% over last year. Capitalized improvements during the current fiscal year were the replacement of equipment.

Long Term Debt

At year-end, the District had \$4,771,469 outstanding long-term debt which includes the net pension liability recorded as required by GASB 68 and net OPEB liability as required by GASB 75. More detailed information about the District's debt is presented in the notes to the financial statements. The net pension liability in accordance with GASB 68 increased \$364,807 for the 2018-2019 fiscal year. The net OPEB liability increased \$427,617 for the 2018-2019 fiscal year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2019-2020 budget preparation is approximately 11% more than the 2018-2019 appraised value. Actual levy of taxes is \$102,040 more than the 2018-2019 tax levy. The tax rate for the 2019 tax roll was \$0.97 for maintenance and operating and \$0.25 for interest and sinking. The tax rate for 2019 is \$1.22 per \$100 valuation.
- The General operating fund estimated revenues for 2019-2020 are \$3,228,158, an increase of \$143,723 from the final 2018-2019 estimated revenues budget.
- The General operating fund budget for 2019-2020 is \$3,186,610 as compared to the final 2018-2019 budget of \$2,903,750. That is an increase of 10% in spending. No new major programs were added to the 2019-2020 budget.

These indicators were taken into account when adopting the general fund budget for 2019-2020. State revenue will increase or decrease as the student population changes in size. The District will use these increases in revenues to finance programs we currently offer. If the budgeted estimates are realized, the District's budgetary general fund balance is expected to remain approximately the same as the current year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

**MAY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS - TABLES
FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

Net position. The District's combined net position was \$3,470,954 at August 31, 2019.
The District's combined net position was \$3,270,558 at August 31, 2018.

Table 1
May Independent School District's Net Position

| | Governmental Activities | |
|--|-------------------------|--------------------|
| | 2019 | 2018 |
| Current Assets: | | |
| Cash and cash equivalents | \$549,216 | \$759,153 |
| Investments | \$1,701,333 | \$1,314,855 |
| Property taxes receivable net of uncollectible | \$137,696 | \$136,846 |
| Due from other governments | \$101,838 | \$91,200 |
| Internal Balances | \$0 | \$0 |
| Other receivables (net) | \$11,712 | \$0 |
| Total Current Assets | \$2,501,795 | \$2,302,054 |
| Noncurrent Assets: | | |
| Land | \$90,187 | \$90,188 |
| Construction in progress | \$0 | \$0 |
| Buildings, net | \$5,305,727 | \$5,524,781 |
| Equipment and vehicles, net | \$96,820 | \$127,097 |
| Infrastructure, net | \$150,060 | \$166,015 |
| Total Noncurrent Assets | \$5,642,794 | \$5,908,081 |
| Total Assets | \$8,144,589 | \$8,210,135 |
| Deferred Outflows of Resources: | | |
| Deferred outflow related to pensions | \$476,784 | \$216,431 |
| Deferred outflow related to OPEB | \$429,155 | \$19,126 |
| Total Deferred Outflows of Resources | \$905,939 | \$235,557 |
| Current Liabilities: | | |
| Accounts payable and accrued expenses | \$174,691 | \$219,010 |
| Accrued interest payable | \$1,079 | \$1,688 |
| Due to other governments | \$150,741 | \$72,445 |
| Total Current Liabilities | \$326,511 | \$293,143 |
| Long-term Liabilities: | | |
| Bonds Payable | \$2,111,000 | \$2,476,000 |
| Maintenance Tax Notes Payable | \$536,000 | \$603,000 |
| Unamortized bond premium | \$16,624 | \$24,936 |
| Bank Note Payable | \$0 | \$0 |
| Net Pension Liability | \$772,531 | \$407,724 |
| Net OPEB Liability | \$1,335,314 | \$907,697 |
| Total Long-term Liabilities | \$4,771,469 | \$4,419,357 |
| Total Liabilities | \$5,097,980 | \$4,712,500 |
| Deferred Inflows of Resources: | | |
| Deferred inflow related to pensions | \$59,336 | \$82,942 |
| Deferred inflow related to OPEB | \$422,258 | \$379,692 |
| Total Deferred Inflows of Resources | \$481,594 | \$462,634 |

**MAY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS - TABLES
FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

Table 1 Continued
May Independent School District's Net Position

| | Governmental Activities | |
|---|-------------------------|--------------------|
| | 2019 | 2018 |
| Net Position: | | |
| Net investment in capital assets | \$2,978,091 | \$2,802,457 |
| Restricted for state and federal programs | \$1,078 | \$0 |
| Restricted for debt service | \$251,758 | \$552,702 |
| Restricted for other purposes | \$288 | \$0 |
| Unrestricted net position | \$239,739 | (\$84,601) |
| Total Net Position | \$3,470,954 | \$3,270,558 |

Table 2
May Independent School District's Changes in Net Position

| | Governmental Activities | |
|---|-------------------------|--------------------|
| | 2019 | 2018 |
| Program Revenues: | | |
| Charges for services | \$64,356 | \$106,502 |
| Operating grants and contributions | \$699,103 | (\$397,576) |
| General Revenues: | | |
| Property taxes | \$2,121,736 | \$2,127,773 |
| State aid - formula | \$978,291 | \$1,078,880 |
| Investment earnings | \$41,193 | \$20,613 |
| Other revenues | \$27,592 | \$78,161 |
| Total Revenues | \$3,932,271 | \$3,014,353 |
| Expenditures: | | |
| Instruction | \$1,928,470 | \$1,123,645 |
| Instructional resources and media services | \$33,185 | \$19,657 |
| Curriculum development and staff development | \$3,051 | \$59,048 |
| Instructional leadership | \$65,192 | \$24,670 |
| School leadership | \$237,781 | \$137,851 |
| Guidance and counseling services | \$28,192 | \$50,079 |
| Health services | \$23,790 | \$17,615 |
| Student (pupil) transportation | \$123,550 | \$85,331 |
| Food services | \$232,588 | \$204,859 |
| Curricular/extracurricular activities | \$158,983 | \$168,538 |
| General administration | \$319,789 | \$213,913 |
| Plant maintenance & operation | \$315,841 | \$270,320 |
| Security and monitoring services | \$404 | \$0 |
| Data processing services | \$160,868 | \$43,729 |
| Debt services | \$24,675 | \$31,393 |
| Payments to fiscal agent/member districts SSA | \$67,546 | \$56,284 |
| Total Expenditures | \$3,723,905 | \$2,506,932 |
| Excess (Deficiency) Before Special and Extraordinary Items | \$208,366 | \$507,421 |

**MAY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS - TABLES
FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

Table 2 Continued
May Independent School District's Net Position

| | Governmental Activities | |
|---|-------------------------|--------------------|
| | 2019 | 2018 |
| Special and Extraordinary Items: | | |
| Extraordinary items inflows (outflows) | \$0 | (\$44,977) |
| Total Special and Extraordinary Items | \$0 | (\$44,977) |
| Increase (Decrease) in Net Position | \$208,366 | \$462,444 |
| Net Position - Beginning | \$3,270,558 | \$4,099,162 |
| Prior Period Adjustments Prior Year | (\$7,970) | (\$1,291,048) |
| Net Position - Ending | <u>\$3,470,954</u> | <u>\$3,270,558</u> |

Table 3
May Independent School District's Capital Assets

| | Governmental Activities | |
|------------------------------------|-------------------------|------------------------|
| | 2019 | 2018 |
| Land | \$90,188 | \$90,188 |
| Construction in progress | \$0 | \$0 |
| Buildings and improvements | \$8,919,546 | \$8,919,546 |
| Equipment and vehicles | \$559,487 | \$550,152 |
| Infrastructure | <u>\$260,940</u> | <u>\$260,940</u> |
| Total Capital Assets | \$9,830,161 | \$9,820,826 |
| Total Accumulated Depreciation | <u>\$4,187,366</u> | <u>\$3,912,745</u> |
| Net Capital Assets | <u>\$5,642,795</u> | <u>\$5,908,081</u> |

Table 4
May Independent School District's Long-term Debt

| | Governmental Activities | |
|-------------------------------------|-------------------------|------------------------|
| | 2019 | 2018 |
| Unlimited Tax Refunding Bonds, 2009 | \$420,000 | \$545,000 |
| Unamortized premiums on bonds | \$16,624 | \$24,937 |
| Unlimited Tax QSCB, 2011 | \$1,691,000 | \$1,931,000 |
| Maintenance Tax Note, 2012 (QSCB) | \$536,000 | \$603,000 |
| Net Pension Liability | \$772,531 | \$407,724 |
| Net OPEB Liability | <u>\$1,335,314</u> | <u>\$907,697</u> |
| Total Long-term Debt | <u>\$4,771,469</u> | <u>\$4,419,358</u> |

Basic Financial Statements

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

| Data Control Codes | 1 | Governmental Activities |
|--|---|----------------------------|
| ASSETS: | | |
| 1110 | <i>Cash and Cash Equivalents</i> | \$ 549,216 |
| 1120 | <i>Current Investments</i> | 1,701,333 |
| 1225 | <i>Property Taxes Receivable (Net)</i> | 137,696 |
| 1240 | <i>Due from Other Governments</i> | 101,838 |
| 1290 | <i>Other Receivables (Net)</i> | 11,712 |
| Capital Assets: | | |
| 1510 | <i>Land</i> | 90,187 |
| 1520 | <i>Buildings and Improvements, Net</i> | 5,305,727 |
| 1530 | <i>Furniture and Equipment, Net</i> | 96,820 |
| 1590 | <i>Infrastructure, Net</i> | 150,060 |
| 1000 | Total Assets | <u>8,144,589</u> |
| DEFERRED OUTFLOWS OF RESOURCES: | | |
| | <i>Deferred Outflow Related to Pensions</i> | 476,784 |
| | <i>Deferred Outflow Related to OPEB</i> | 429,155 |
| 1700 | Total Deferred Outflows of Resources | <u>905,939</u> |
| LIABILITIES: | | |
| 2110 | <i>Accounts Payable</i> | 57,310 |
| 2140 | <i>Interest Payable</i> | 1,079 |
| 2165 | <i>Accrued Liabilities</i> | 117,381 |
| 2180 | <i>Due to Other Governments</i> | 150,741 |
| Noncurrent Liabilities: | | |
| 2501 | <i>Due Within One Year</i> | 442,000 |
| 2502 | <i>Due in More Than One Year</i> | 2,221,624 |
| 2540 | <i>Net Pension Liability</i> | 772,531 |
| 2545 | <i>Net OPEB Liability</i> | 1,335,314 |
| 2000 | Total Liabilities | <u>5,097,980</u> |
| DEFERRED INFLOWS OF RESOURCES: | | |
| | <i>Deferred Inflow Related to Pensions</i> | 59,336 |
| | <i>Deferred Inflow Related to OPEB</i> | 422,258 |
| 2600 | Total Deferred Inflows of Resources | <u>481,594</u> |
| NET POSITION: | | |
| 3200 | Net Investment in Capital Assets | 2,978,091 |
| Restricted For: | | |
| 3820 | State and Federal Programs | 1,078 |
| 3850 | Debt Service | 251,758 |
| 3890 | Other Purposes | 288 |
| 3900 | Unrestricted | 239,739 |
| 3000 | Total Net Position | <u>\$ 3,470,954</u> |

The accompanying notes are an integral part of this statement.

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

| Data Control Codes | Functions/Programs | 1 Expenses | 3 Program Revenues | | 4 Operating Grants and Contributions | Net (Expense) Revenue and Changes in Net Position |
|--------------------------|---|---------------------|-------------------------|----------------------------|---|--|
| | | | Charges for Services | Governmental Activities | | |
| | Governmental Activities: | | | | | |
| 11 | <i>Instruction</i> | \$ 1,928,470 | \$ -- | \$ 459,888 | \$ (1,468,582) | |
| 12 | <i>Instructional Resources and Media Services</i> | 33,185 | -- | 2,438 | (30,747) | |
| 13 | <i>Curriculum and Staff Development</i> | 3,051 | -- | 2 | (3,049) | |
| 21 | <i>Instructional Leadership</i> | 65,192 | -- | 14,382 | (50,810) | |
| 23 | <i>School Leadership</i> | 237,781 | -- | 19,515 | (218,266) | |
| 31 | <i>Guidance, Counseling, & Evaluation Services</i> | 28,192 | -- | 2,187 | (26,005) | |
| 33 | <i>Health Services</i> | 23,790 | -- | 17,965 | (5,825) | |
| 34 | <i>Student Transportation</i> | 123,550 | -- | 7,077 | (116,473) | |
| 35 | <i>Food Service</i> | 232,588 | 46,520 | 127,987 | (58,081) | |
| 36 | <i>Cocurricular/Extracurricular Activities</i> | 158,983 | 15,676 | 5,827 | (137,480) | |
| 41 | <i>General Administration</i> | 319,789 | -- | 12,487 | (307,302) | |
| 51 | <i>Facilities Maintenance and Operations</i> | 315,841 | 2,160 | 6,548 | (307,133) | |
| 52 | <i>Security and Monitoring Services</i> | 404 | -- | -- | (404) | |
| 53 | <i>Data Processing Services</i> | 160,868 | -- | 10,293 | (150,575) | |
| 72 | <i>Interest on Long-term Debt</i> | 21,925 | -- | 12,457 | (9,468) | |
| 73 | <i>Bond Issuance Costs and Fees</i> | 2,750 | -- | -- | (2,750) | |
| 93 | <i>Payments Related to Shared Services Arrangements</i> | 67,546 | -- | 50 | (67,496) | |
| TG | Total Governmental Activities | <u>3,723,905</u> | <u>64,356</u> | <u>699,103</u> | <u>(2,960,446)</u> | |
| TP | Total Primary Government | <u>\$ 3,723,905</u> | <u>\$ 64,356</u> | <u>\$ 699,103</u> | <u>(2,960,446)</u> | |
| | General Revenues: | | | | | |
| MT | <i>Property Taxes, Levied for General Purposes</i> | | | | 1,701,667 | |
| DT | <i>Property Taxes, Levied for Debt Service</i> | | | | 420,069 | |
| IE | <i>Investment Earnings</i> | | | | 41,193 | |
| GC | <i>Grants and Contributions Not Restricted to Specific Programs</i> | | | | 978,291 | |
| MI | <i>Miscellaneous</i> | | | | 27,592 | |
| TR | Total General Revenues | | | | <u>3,168,812</u> | |
| CN | Change in Net Position | | | | <u>208,366</u> | |
| NB | Net Position - Beginning | | | | 3,270,558 | |
| PA | Prior Period Adjustment | | | | (7,970) | |
| | Net Position - Beginning, as Restated | | | | <u>3,262,588</u> | |
| NE | Net Position - Ending | | | | <u>\$ 3,470,954</u> | |

The accompanying notes are an integral part of this statement.

MAY INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2019

| Data Control Codes | 10 General Fund | 50 Debt Service Fund | Other Governmental Funds | 98 Total Governmental Funds | |
|---------------------------------------|---|-------------------------|-----------------------------|--------------------------------|---------------------|
| ASSETS: | | | | | |
| 1110 | Cash and Cash Equivalents | \$ 310,778 | \$ 225,594 | \$ (4,975) | \$ 531,397 |
| 1120 | Current Investments | 1,701,333 | -- | -- | 1,701,333 |
| 1225 | Taxes Receivable, Net | 113,859 | 23,837 | -- | 137,696 |
| 1240 | Due from Other Governments | 52,888 | -- | 48,950 | 101,838 |
| 1290 | Other Receivables | 9,385 | 2,327 | -- | 11,712 |
| 1000 | Total Assets | <u>2,188,243</u> | <u>251,758</u> | <u>43,975</u> | <u>2,483,976</u> |
| LIABILITIES: | | | | | |
| Current Liabilities: | | | | | |
| 2110 | Accounts Payable | \$ 1,900 | \$ -- | \$ 34,738 | \$ 36,638 |
| 2160 | Accrued Wages Payable | 99,351 | -- | 6,599 | 105,950 |
| 2170 | Due to Other Funds | 10,512 | -- | -- | 10,512 |
| 2180 | Due to Other Governments | 150,741 | -- | -- | 150,741 |
| 2200 | Accrued Expenditures | 10,159 | -- | 1,272 | 11,431 |
| 2000 | Total Liabilities | <u>272,663</u> | <u>--</u> | <u>42,609</u> | <u>315,272</u> |
| DEFERRED INFLOWS OF RESOURCES: | | | | | |
| | Deferred Revenue | 113,860 | 23,837 | -- | 137,697 |
| 2600 | Total Deferred Inflows of Resources | <u>113,860</u> | <u>23,837</u> | <u>--</u> | <u>137,697</u> |
| FUND BALANCES: | | | | | |
| Restricted Fund Balances: | | | | | |
| 3450 | Federal/State Funds Grant Restrictions | -- | -- | 1,078 | 1,078 |
| 3480 | Retirement of Long-Term Debt | -- | 227,921 | -- | 227,921 |
| 3490 | Other Restrictions of Fund Balance | -- | -- | 288 | 288 |
| Committed Fund Balances: | | | | | |
| 3510 | Construction | 200,000 | -- | -- | 200,000 |
| 3530 | Capital Expenditures for Equipment | 260,000 | -- | -- | 260,000 |
| 3545 | Other Committed Fund Balance | 350,000 | -- | -- | 350,000 |
| Assigned Fund Balances: | | | | | |
| 3590 | Other Assigned Fund Balance | 15,846 | -- | -- | 15,846 |
| 3600 | Unassigned | 975,874 | -- | -- | 975,874 |
| 3000 | Total Fund Balances | <u>1,801,720</u> | <u>227,921</u> | <u>1,366</u> | <u>2,031,007</u> |
| 4000 | Total Liabilities, Deferred Inflow of Resources and Fund Balances | <u>\$ 2,188,243</u> | <u>\$ 251,758</u> | <u>\$ 43,975</u> | <u>\$ 2,483,976</u> |

The accompanying notes are an integral part of this statement.

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

| | |
|--|---------------------|
| Total fund balances - governmental funds balance sheet | \$ 2,031,007 |
| Amounts reported for governmental activities in the Statement of Net Position ("SNP") are different because: | |
| Capital assets used in governmental activities are not reported in the funds. | 5,642,794 |
| Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds. | 137,697 |
| The assets and liabilities of internal service funds are included in governmental activities in the SNP. | 7,659 |
| Payables for bond principal which are not due in the current period are not reported in the funds. | (2,111,000) |
| Payables for bond interest which are not due in the current period are not reported in the funds. | (1,079) |
| Payables for notes which are not due in the current period are not reported in the funds. | (536,000) |
| Recognition of the District's proportionate share of the net pension liability is not reported in the funds. | (772,531) |
| Deferred Resource Inflows related to the pension plan are not reported in the funds. | (59,336) |
| Deferred Resource Outflows related to the pension plan are not reported in the funds. | 476,784 |
| Bond premiums are amortized in the SNA but not in the funds. | (16,624) |
| Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds. | (1,335,314) |
| Deferred Resource Inflows related to the OPEB plan are not reported in the funds. | (422,258) |
| Deferred Resource Outflows related to the OPEB plan are not reported in the funds. | <u>429,155</u> |
| Net position of governmental activities - Statement of Net Position | <u>\$ 3,470,954</u> |

The accompanying notes are an integral part of this statement.

MAY 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 | Other Governmental Funds | 98 Total Governmental Funds |
|---|---------------------|-------------------------|-----------------------------|--------------------------------|
| REVENUES: | | | | |
| 5700 <i>Local and Intermediate Sources</i> | \$ 1,785,693 | \$ 421,814 | \$ 46,520 | \$ 2,254,027 |
| 5800 <i>State Program Revenues</i> | 1,098,593 | 12,457 | 73,286 | 1,184,336 |
| 5900 <i>Federal Program Revenues</i> | 99,331 | -- | 302,181 | 401,512 |
| 5020 Total Revenues | <u>2,983,617</u> | <u>434,271</u> | <u>421,987</u> | <u>3,839,875</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| 0011 <i>Instruction</i> | 1,405,372 | -- | 227,811 | 1,633,183 |
| 0012 <i>Instructional Resources and Media Services</i> | 28,196 | -- | -- | 28,196 |
| 0013 <i>Curriculum and Staff Development</i> | 2,818 | -- | -- | 2,818 |
| 0021 <i>Instructional Leadership</i> | 45,296 | -- | 9,183 | 54,479 |
| 0023 <i>School Leadership</i> | 198,990 | -- | -- | 198,990 |
| 0031 <i>Guidance, Counseling, & Evaluation Services</i> | 23,895 | -- | -- | 23,895 |
| 0033 <i>Health Services</i> | 2,943 | -- | 17,063 | 20,006 |
| 0034 <i>Student Transportation</i> | 106,539 | -- | 1,000 | 107,539 |
| 0035 <i>Food Service</i> | 4,685 | -- | 209,852 | 214,537 |
| 0036 <i>Cocurricular/Extracurricular Activities</i> | 140,570 | -- | -- | 140,570 |
| 0041 <i>General Administration</i> | 281,564 | -- | -- | 281,564 |
| 0051 <i>Facilities Maintenance and Operations</i> | 285,338 | -- | -- | 285,338 |
| 0052 <i>Security and Monitoring Services</i> | 404 | -- | -- | 404 |
| 0053 <i>Data Processing Services</i> | 138,396 | -- | -- | 138,396 |
| 0071 <i>Principal on Long-term Debt</i> | 67,000 | 365,000 | -- | 432,000 |
| 0072 <i>Interest on Long-term Debt</i> | 2,495 | 28,351 | -- | 30,846 |
| 0073 <i>Bond Issuance Costs and Fees</i> | 750 | 2,000 | -- | 2,750 |
| 0093 <i>Payments to Shared Service Arrangements</i> | 67,546 | -- | -- | 67,546 |
| 6030 Total Expenditures | <u>2,802,797</u> | <u>395,351</u> | <u>464,909</u> | <u>3,663,057</u> |
| 1100 Excess (Deficiency) of Revenues Over (Under) | | | | |
| 1100 Expenditures | <u>180,820</u> | <u>38,920</u> | <u>(42,922)</u> | <u>176,818</u> |
| Other Financing Sources and (Uses): | | | | |
| 7915 <i>Transfers In</i> | -- | -- | 44,000 | 44,000 |
| 8911 <i>Transfers Out</i> | (44,000) | -- | -- | (44,000) |
| 7080 Total Other Financing Sources and (Uses) | <u>(44,000)</u> | <u>--</u> | <u>44,000</u> | <u>--</u> |
| 1200 Net Change in Fund Balances | <u>136,820</u> | <u>38,920</u> | <u>1,078</u> | <u>176,818</u> |
| 0100 Fund Balances - Beginning | 1,672,870 | 189,001 | 288 | 1,862,159 |
| 1300 Prior Period Adjustment | (7,970) | -- | -- | (7,970) |
| Fund Balances - Beginning, as Restated | 1,664,900 | 189,001 | 288 | 1,854,189 |
| 3000 Fund Balances - Ending | <u>\$ 1,801,720</u> | <u>\$ 227,921</u> | <u>\$ 1,366</u> | <u>\$ 2,031,007</u> |

The accompanying notes are an integral part of this statement.

MAY INDEPENDENT SCHOOL DISTRICT

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

| | |
|--|-------------------|
| Net change in fund balances - total governmental funds | \$ 176,818 |
| Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because: | |
| Capital outlays are not reported as expenses in the SOA. | 9,335 |
| The depreciation of capital assets used in governmental activities is not reported in the funds. | (274,622) |
| Certain property tax revenues are deferred in the funds. This is the change in these amounts this year. | 850 |
| Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA. | 365,000 |
| Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA. | 67,000 |
| (Increase) decrease in accrued interest from beginning of period to end of period. | 609 |
| The net revenue (expense) of internal service funds is reported with governmental activities. | (3,934) |
| Bond premiums are reported in the funds but not in the SOA. | 8,312 |
| Pension expense relating to GASB 68 is recorded in the SOA but not in the funds. | (80,848) |
| OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds. | (60,154) |
| Change in net position of governmental activities - Statement of Activities | \$ <u>208,366</u> |

The accompanying notes are an integral part of this statement.

MAY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
INTERNAL SERVICE FUND
AUGUST 31, 2019

| Data Control Codes | Nonmajor Internal Service Fund | Public Entity Risk Pool |
|----------------------------------|--------------------------------------|----------------------------|
| ASSETS: | | |
| Current Assets: | | |
| 1110 | \$ | 17,819 |
| <i>Cash and Cash Equivalents</i> | | |
| <i>Receivables:</i> | | |
| 1260 | | 10,512 |
| <i>Due from Other Funds</i> | | |
| | | <u>28,331</u> |
| | | Total Current Assets |
| 1000 | | <u>28,331</u> |
| Total Assets | | |
| LIABILITIES: | | |
| Current Liabilities: | | |
| 2110 | \$ | 20,672 |
| <i>Accounts Payable</i> | | |
| | | <u>20,672</u> |
| | | Total Current Liabilities |
| 2000 | | <u>20,672</u> |
| Total Liabilities | | |
| NET POSITION: | | |
| 3900 | | 7,659 |
| <i>Unrestricted</i> | | |
| 3000 | \$ | <u>7,659</u> |
| Total Net Position | | |

The accompanying notes are an integral part of this statement.

MAY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - INTERNAL SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2019

| Data Control Codes | Nonmajor Internal Service Fund |
|--|--------------------------------------|
| | Public Entity Risk Pool |
| OPERATING REVENUES: | |
| 5700 <i>Local and Intermediate Sources</i> | \$ 46 |
| 5020 Total Revenues | <u>46</u> |
| OPERATING EXPENSES: | |
| 6200 <i>Professional and Contracted Services</i> | 2,856 |
| 6400 <i>Other Operating Costs</i> | 1,124 |
| 6030 Total Expenses | <u>3,980</u> |
| 1300 Change in Net Position | (3,934) |
| 0100 Total Net Position - Beginning | 11,593 |
| 3300 Total Net Position - Ending | <u>\$ 7,659</u> |

The accompanying notes are an integral part of this statement.

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

| | Internal Service Funds |
|--|------------------------------|
| Cash Flows from Operating Activities: | |
| <i>Cash Received from Customers</i> | \$ -- |
| <i>Cash Received from Grants</i> | -- |
| <i>Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds</i> | 18,978 |
| <i>Cash Payments to Employees for Services</i> | -- |
| <i>Cash Payments to Other Suppliers for Goods and Services</i> | (4,084) |
| <i>Cash Payments for Grants to Other Organizations</i> | -- |
| <i>Other Operating Cash Receipts (Payments)</i> | -- |
| Net Cash Provided (Used) by Operating Activities | <u>14,894</u> |
| Cash Flows from Non-capital Financing Activities: | |
| <i>Operating Grants Received</i> | -- |
| Net Cash Provided (Used) by Non-capital Financing Activities | <u>--</u> |
| Cash Flows from Capital and Related Financing Activities: | |
| <i>Contributed Capital</i> | -- |
| Net Cash Provided (Used) for Capital & Related Financing Activities | <u>--</u> |
| Cash Flows from Investing Activities: | |
| <i>Interest and Dividends on Investments</i> | -- |
| Net Cash Provided (Used) for Investing Activities | <u>--</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 14,894 |
| Cash and Cash Equivalents at Beginning of Year | 2,925 |
| Cash and Cash Equivalents at End of Year | <u>\$ 17,819</u> |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities: | |
| Operating Income (Loss) | \$ (3,934) |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities | |
| <i>Depreciation</i> | -- |
| <i>Provision for Uncollectible Accounts</i> | -- |
| Change in Assets and Liabilities: | |
| <i>Decrease (Increase) in Receivables</i> | 18,932 |
| <i>Increase (Decrease) in Accounts Payable</i> | (104) |
| <i>Increase (Decrease) in Due to Other Governments</i> | -- |
| <i>Increase (Decrease) in Unearned Revenue</i> | -- |
| Total Adjustments | <u>18,828</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$ 14,894</u> |

The accompanying notes are an integral part of this statement.

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

| Data Control Codes | Private-purpose Trust Funds | Agency Funds Student Activity |
|---------------------------------------|-----------------------------------|--|
| ASSETS: | | |
| 1110 <i>Cash and Cash Equivalents</i> | \$ 1,518 | \$ 21,893 |
| 1120 <i>Current Investments</i> | 32,515 | -- |
| 1000 Total Assets | <u>34,033</u> | <u>21,893</u> |
| LIABILITIES: | | |
| Current Liabilities: | | |
| 2190 <i>Due to Student Groups</i> | \$ -- | \$ 21,893 |
| 2000 Total Liabilities | <u>--</u> | <u>21,893</u> |
| NET POSITION: | | |
| 3800 <i>Held in Trust</i> | 34,033 | -- |
| 3000 Total Net Position | <u>\$ 34,033</u> | <u>\$ --</u> |

The accompanying notes are an integral part of this statement.

MAY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2019

| | Private- Purpose Trusts |
|------------------------------------|-------------------------------|
| Additions: | |
| Investment Income | \$ 324 |
| Gifts and Bequests | -- |
| Total Additions | <u>324</u> |
| Deductions: | |
| Scholarship Awards | 2,000 |
| Administrative Expenses | -- |
| Total Deductions | <u>2,000</u> |
| Change in Net Position | (1,676) |
| Net Position-Beginning of the Year | <u>35,709</u> |
| Net Position-End of the Year | <u>\$ 34,033</u> |

The accompanying notes are an integral part of this statement.

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

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental reporting entity and there are no component units included within the District's reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental funds:

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

Debt Service Fund: This accounts for the resources accumulated and payments made for principal and interest on long-term debt other than enterprise fund debt.

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

In addition, the District reports the following fund types:

Internal Service Funds: These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

Private-Purpose Trust Funds: These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments not reported in other fiduciary fund types.

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

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

b. **Measurement Focus, Basis of Accounting**

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

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

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

3. **Financial Statement Amounts**

a. **Cash and Cash Equivalents**

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

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

b. Property Taxes

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

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

c. Inventories and Prepaid Items

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

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

d. Capital Assets

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

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

| <u>Asset Class</u> | <u>Estimated Useful Lives</u> |
|-----------------------|-------------------------------|
| Infrastructure | 20-30 |
| Buildings | 30-50 |
| Building Improvements | 20-30 |
| Vehicles | 2-15 |
| Office Equipment | 3-15 |
| Computer Equipment | 3-15 |

e. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

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FOR THE YEAR ENDED AUGUST 31, 2019

f. Receivable and Payable Balances

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

There are no significant receivables which are not scheduled for collection within one year of year end.

g. Interfund Activity

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

h. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

i. Data Control Codes

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

j. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

k. Net Position Flow Assumption

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

l. Fund Balance Flow Assumptions

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

4. Pensions

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

5. Other Post-Employment Benefits

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

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

6. Implementation of New Standards

In the current fiscal year, the District implemented the following new standard. The applicable provisions of the new standards are summarized below. Implementation is reflected in the financial statements and the notes to the financial statements.

GASB 88 - Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements

The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

| <u>Violation</u> | <u>Action Taken</u> |
|------------------|---------------------|
| None | Not Applicable |

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

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

| <u>Fund Name</u> | <u>Deficit Amount</u> | <u>Remarks</u> |
|------------------|---------------------------|----------------|
| None reported | Not applicable | Not applicable |

C. Deposits and Investments

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

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1. Cash Deposits:

At August 31, 2019, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$878,451 and the bank balance was \$968,044. The District's cash deposits at August 31, 2019 and during the year ended August 31, 2019, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

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

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

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

The District's investments at August 31, 2019 are shown below.

| <u>Investment or Investment Type</u> | <u>Maturity</u> | <u>Fair Value</u> |
|--------------------------------------|-----------------|-------------------|
| General Fund: | | |
| Certificate of Deposit | 12 months | \$ 305,824 |
| Lone Star Investment Pool | N/A | 1,395,509 |
| Total Investments - General Fund | | <u>1,701,333</u> |
| Private Purpose Trust Funds: | | |
| Certificates of Deposit | | \$ <u>32,515</u> |

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

At August 31, 2019, the District's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows:

| | | |
|---------------------------|---------------------|------------------------------|
| Lone Star Investment Pool | \$ <u>1,395,509</u> | Standard & Poor's Rating AAA |
|---------------------------|---------------------|------------------------------|

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

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

Investment Accounting Policy

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

Public Funds Investment Pools

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

The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

Lone Star

The Lone Star Investment Pool (Lone Star) is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. Lone Star is administered by First Public, a subsidiary of the Texas Association of School Boards (TASB), with Standish and American Beacon Advisors managing the investment and reinvestment of Lone Star's assets. State Street Bank provides custody and valuation services to Lone Star. All of the board of trustees' eleven members are Lone Star participants by either being employees or elected officials of a participant. Lone Star has established an advisory board composed of both pool members and non-members. Lone Star is rated AAA by

MAY INDEPENDENT SCHOOL DISTRICT
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Standard and Poor's and operated in a manner consistent with the the SEC's Rule 2a7 of the Investment Company Act of 1940. The District is invested in the Government Overnight Fund of Lone Star which seeks to maintain a net asset value of one dollar. Lone Star has 3 different funds: Government Overnight, Corporate Overnight and Corporate Overnight Plus. Government Overnight, Corporate Overnight and Corporate Overnight Plus maintain a net asset value of one dollar.

D. Capital Assets

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

| | Beginning Balances | Increases | Decreases | Ending Balances |
|--|-----------------------|---------------------|--------------|---------------------|
| <i>Governmental activities:</i> | | | | |
| <i>Capital assets not being depreciated:</i> | | | | |
| Land | \$ 90,188 | \$ -- | \$ -- | \$ 90,188 |
| Construction in progress | -- | -- | -- | -- |
| Total capital assets not being depreciated | <u>90,188</u> | <u>--</u> | <u>--</u> | <u>90,188</u> |
| <i>Capital assets being depreciated:</i> | | | | |
| Buildings and improvements | 8,919,546 | -- | -- | 8,919,546 |
| Equipment | 35,287 | 9,335 | -- | 44,622 |
| Vehicles | 514,865 | -- | -- | 514,865 |
| Infrastructure | 260,940 | -- | -- | 260,940 |
| Total capital assets being depreciated | <u>9,730,638</u> | <u>9,335</u> | <u>--</u> | <u>9,739,973</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (3,394,765) | (219,054) | -- | (3,613,819) |
| Equipment | (18,197) | (3,529) | -- | (21,726) |
| Vehicles | (404,857) | (36,084) | -- | (440,941) |
| Specify another category here if needed | (94,925) | (15,955) | -- | (110,880) |
| Total accumulated depreciation | <u>(3,912,744)</u> | <u>(274,622)</u> | <u>--</u> | <u>(4,187,366)</u> |
| Total capital assets being depreciated, net | <u>5,817,894</u> | <u>(265,287)</u> | <u>--</u> | <u>5,552,607</u> |
| Governmental activities capital assets, net | <u>\$ 5,908,082</u> | <u>\$ (265,287)</u> | <u>\$ --</u> | <u>\$ 5,642,795</u> |

Depreciation was charged to functions as follows:

| | |
|---|-------------------|
| Instruction | \$ 145,542 |
| Instructional Resources and Media Services | 2,516 |
| Curriculum and Staff Development | 233 |
| Instructional Leadership | 4,910 |
| School Leadership | 17,949 |
| Guidance, Counseling, & Evaluation Services | 2,134 |
| Health Services | 1,746 |
| Student Transportation | 9,367 |
| Food Services | 17,596 |
| Extracurricular Activities | 12,073 |
| General Administration | 24,254 |
| Plant Maintenance and Operations | 24,089 |
| Data Processing Services | 12,213 |
| | <u>\$ 274,622</u> |

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2019, consisted of the following:

| <u>Due To Fund</u> | <u>Due From Fund</u> | <u>Amount</u> | <u>Purpose</u> |
|-----------------------|--------------------------|------------------|--------------------------|
| General Fund | Other Governmental Funds | \$ -- | Short-term loans |
| Internal Service Fund | General Fund | \$ 10,512 | Self-Funded Workers Comp |
| | Other Balances | -- | |
| | Total | \$ <u>10,512</u> | |

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2019, consisted of the following:

| <u>Transfers From</u> | <u>Transfers To</u> | <u>Amount</u> | <u>Reason</u> |
|--------------------------|--------------------------|------------------|--------------------------------|
| General fund | Other Governmental Funds | 44,000 | Supplement other funds sources |
| Other Governmental Funds | Other Governmental Funds | -- | Supplement other funds sources |
| | Total | \$ <u>44,000</u> | |

F. Long-Term Obligations

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

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2019, are as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> | <u>Amounts Due Within One Year</u> |
|--|--------------------------|-------------------|-------------------|-----------------------|------------------------------------|
| Governmental activities: | | | | | |
| Unlimited Tax Rfd Bonds | \$ 545,000 | \$ -- | \$ 125,000 | \$ 420,000 | \$ 135,000 |
| Bond Premium | 24,937 | -- | 8,313 | 16,624 | -- |
| General Obligation Bonds | 1,931,000 | -- | 240,000 | 1,691,000 | 240,000 |
| Maint Tax Notes, QSCB | 603,000 | -- | 67,000 | 536,000 | 67,000 |
| Net Pension Liability * | 407,724 | 412,613 | 47,806 | 772,531 | -- |
| Net OPEB Liability* | 907,697 | 457,154 | 29,537 | 1,335,314 | -- |
| Notes from Direct Borrowings and Direct Placements | -- | -- | -- | -- | -- |
| Total governmental activities | \$ <u>4,419,358</u> | \$ <u>869,767</u> | \$ <u>517,656</u> | \$ <u>4,771,469</u> | \$ <u>442,000</u> |

* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

| <u>Liability</u> | <u>Activity Type</u> | <u>Fund</u> |
|-------------------------|----------------------|-------------|
| Net Pension Liability * | Governmental | General |
| Net OPEB Liability * | Governmental | General |

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

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2019, are as follows:

| Year Ending August 31, | Governmental Activities | | | Federal Expected Rebate | Net Interest Cost |
|------------------------|-------------------------|------------|--------------|-------------------------------|----------------------|
| | Bonds | | | | |
| | Principal | Interest | Total | | |
| 2020 | \$ 442,000 | 132,733 | 574,733 | \$ 115,223 | \$ 17,510 |
| 2021 | 448,000 | 110,864 | 558,864 | 99,328 | 11,536 |
| 2022 | 453,000 | 88,741 | 541,741 | 83,382 | 5,359 |
| 2023 | 309,000 | 69,418 | 378,418 | 67,436 | 1,982 |
| 2024 | 309,000 | 52,941 | 361,941 | 51,438 | 1,504 |
| 2025-2029 | 686,000 | 59,910 | 745,910 | 58,270 | 1,640 |
| Totals | \$ 2,647,000 | \$ 514,607 | \$ 3,161,607 | \$ 475,077 | \$ 39,531 |

| Year Ending August 31, | Governmental Activities | | |
|------------------------|---|----------|-------|
| | Notes from Direct Borrowings and Direct Placements | | |
| | Principal | Interest | Total |
| 2020 | \$ -- | \$ -- | \$ -- |
| 2021 | -- | -- | -- |
| 2022 | -- | -- | -- |
| 2023 | -- | -- | -- |
| 2024 | -- | -- | -- |
| Totals | \$ -- | \$ -- | \$ -- |

The interest rates on the Unlimited Tax Refunding Bonds, Series 2009, ranged from 1.0% up to 3.7%. Interest rate on the Unlimited Tax Qualified School Construction Bonds, Series 2011, is 5.38%. The tax credit rate for the Series 2011 bonds is 0.17%, net interest cost on the Series 2011 bonds is 0.17%. However, during the current year, because of the federal government sequester of funding, the District's federal credit was reduced 6.20% amounting to an additional \$6,238 interest being incurred by the District. Interest rate on the Maintenance Tax Notes, Series 2012 (QSCB) is 5.16% with a tax credit rate of 5.06%. Net interest cost of the Series 2012 QSCB notes is 0.10%. The District's federal credit was reduced by the 6.2% sequester resulting in an additional \$1,892 in interest being incurred by the District.

3. Advance Refunding of Debt

GASB Statement No. 7, "Advance Refundings Resulting in Defeasance of Debt," provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of August 31, 2019, outstanding balances of bond issues that have been refunded and defeased in-substance by placing existing assets and the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments are as follows.

| Bond Issue | Amount |
|----------------------------------|----------------|
| Unlimited Tax Bonds Series, 1997 | \$ 445,000 |
| Total | <u>445,000</u> |

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

G. Commitments Under Noncapitalized Leases

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of August 31, 2019, as follows:

| | |
|-------------------------------|------------------|
| <u>Year Ending August 31,</u> | |
| 2020 | \$ 5,616 |
| 2021 | 5,616 |
| 2022 | 5,616 |
| Total Minimum Rentals | \$ <u>16,848</u> |
| Rental Expenditures in 2019 | \$ <u>5,616</u> |

H. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2019, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

Property and Casualty Insurance

Public Educators Association of Texas

Public Educators Association of Texas is a property and casualty Fund formed by the Texas Interlocal Cooperation act to provide coverages for Texas educational institutions. PEAT operates as a risk pool with "aggregate stop loss" protection. The Fund is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The governing Board of Directors is comprised of elected officials.

The types of coverage the District participates in are as follows:

| | |
|--|--|
| General Liability/ Employee Benefits Liability | School Board Legal Liability |
| Auto Liability and Physical Damage | Property/ Inland Marine/ Equipment Breakdown |
| Electronic Data, Media, and Hardware | Educators Legal |
| Equipment Breakdown | Commercial Crime |
| Cyber Liability | Crisis Management |

Workers Compensation Insurance

The District is a participant in the North Texas Educational Insurance Association Workers' Compensation Self-Insurance Fund. The purpose of the fund is to provide the statutory benefits for the fund members through self-insurance of workers compensation prescribed by Article 8309h, Revised Civil Statutes of Texas as amended.

The interlocal agreement between the May Independent School District and the North Texas Education Insurance Association Workers' Compensation Self-Insurance Fund is for a term beginning September 1, 2018 and terminating on September 1, 2019. Either party may terminate the agreement upon 60 days written notice with the termination becoming effective at the end of the plan term currently in force.

The required contributions for each plan sponsor are based on the State Board of Insurance workers' compensation rates for the various payroll classifications included in the fund members annual payroll. The interlocal agreement states that the May Independent School District's maximum loss exposure for 2018-2019 is \$5,568. The District had total estimated unpaid claims for all years amounting to \$20,672. The District's has recognized the liability for the estimated unpaid claims in its financial records. The District's fixed premium cost for 2018-2019 was \$10,512.

MAY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2019

The "pooled risk" self-insurance fund is managed by a six member board. Any excess of the cumulative contributions and investment earnings of all fund members are available for reduction of annual contributions. The Board reserved the right in the interlocal agreement to adjust this stop loss provision in the event that the fiscal soundness of the fund would justify such an adjustment and/or result in savings to fund members. All claims are processed and paid by the pool through the servicing contractor employed by the Fund.

Unemployment Compensation Pool.

During the year ended August 31, 2019 the May ISD provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligations to the Texas Workforce Commission. Expenses are accrued each month until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for Unemployment Compensation pool. For the year ended August 31, 2019, the Fund anticipates the May ISD has no additional liability beyond the contractual obligation for payment of contribution.

The Fund engages the services of independent auditors to conduct a financial audit after the close of each plan year on August 31. The audit is approved by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2018, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

I. Pension Plan

1. Plan Description

The 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) and is established and administered in accordance with the Texas Constitution, Article XVI, Section 67, and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

2. Pension Plan Fiduciary Net Position

Detail information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://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.

3. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3% (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

MAY INDEPENDENT SCHOOL DISTRICT
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salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (1.) above.

4. Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of 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 through 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.

| | <u>Contribution Rates</u> | |
|---|---------------------------|-------------|
| | <u>2018</u> | <u>2019</u> |
| Member | 7.7% | 7.7% |
| Non-Employer Contributing Entity (NECE - State) | 6.8% | 6.8% |
| Employers | 6.8% | 6.8% |
| | | |
| District's 2019 Employer Contributions | \$ 46,746 | |
| District's 2019 Member Contributions | \$ 125,993 | |
| 2018 NECE On-Behalf Contributions (state) | \$ 94,061 | |

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.

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- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

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

5. Actuarial Assumptions

The total pension liability in the August 31, 2017 actuarial valuation rolled forward to August 31, 2018 was determined using the following actuarial assumptions:

| | |
|--|---|
| 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 Investment Rate of Return | 7.25% |
| Inflation | 2.30% |
| Salary Increases including inflation | 3.05% to 9.05% |
| Payroll Growth Rate | 3.00% |
| Benefit Changes during the year | None |
| Ad hoc post-employment benefit changes | None |

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

6. 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 the 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 the contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was 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 are summarized below:

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| Teacher Retirement System of Texas | | | |
|---|--------------------------|---|---|
| Asset Allocation and Long-Term Expected Rate of Return | | | |
| As of August 31, 2016 | | | |
| Asset Class | Target Allocation | Long-term Expected Geometric Real Rate of Return | Expected Contribution to Long-term Portfolio Returns * |
| Global Equity | | | |
| U.S. | 18.0% | 5.7% | 1.0% |
| Non-U.S. Developed | 13.0% | 6.9% | 0.9% |
| Emerging Markets | 9.0% | 8.9% | 0.8% |
| Directional Hedge Funds | 4.0% | 3.5% | 0.1% |
| Private Equity | 13.0% | 10.2% | 1.3% |
| Stable Value | | | |
| U.S. Treasuries | 11.0% | 1.1% | 0.1% |
| Absolute Return | 0.0% | 0.0% | 0.0% |
| Stable Value Hedge Funds | 4.0% | 3.1% | 0.1% |
| Cash | 1.0% | -0.3% | 0.0% |
| Real Return | | | |
| Global Inflation Linked Bonds | 3.0% | 0.7% | 0.0% |
| Real Assets | 14.0% | 5.2% | 0.7% |
| Energy & Natural Resources | 5.0% | 7.5% | 0.4% |
| Commodities | 0.0% | 0.0% | 0.0% |
| Risk Parity | | | |
| Risk Parity | 5.0% | 3.7% | 0.2% |
| Inflation Expectation | | | 2.3% |
| Alpha | | | -0.8% |
| Total | 100.0% | | 7.2% |

* Target allocation are based on the FY 2016 policy model.

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

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability 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.

| | 1% Decrease in Discount Rate 5.907% | Discount Rate 6.907% | 1% Increase in Discount Rate 7.907% |
|---|--|----------------------------|--|
| District's proportionate share of the net pension liability | \$ 1,165,934 | \$ 772,531 | \$ 454,047 |

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

At August 31, 2019, the District reported a liability of \$772,531 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

| | |
|--|---------------------|
| District's proportionate share of the collective net pension liability | \$ 772,531 |
| State's proportionate share that is associated with District | <u>1,537,833</u> |
| Total | <u>\$ 2,310,364</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 District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2017 through August 31, 2018.

At August 31, 2018 the employer's proportion of the collective net pension liability was 0.0014035%. which was an increase (decrease) of 0.0001283 from its proportion measured as of August 31, 2017.

Changes Since the Prior Actuarial Valuation -

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

- The 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 was updated based on the same experience study.
- The discount rate changed from 8.0% as of August 31, 2017 to 6.907% as of August 31, 2018.
- The long-term assumed rate of return changed from 8.0% to 7.25%.
- 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, the District recognized pension expense of \$152,204 and revenue of \$152,204 for support provided by the State.

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

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| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience | \$ 4,815 | \$ 18,955 |
| Changes in actuarial assumptions | 278,535 | 8,704 |
| Difference between projected and actual investment earnings | -- | 14,658 |
| Changes in proportion and difference between the District's contributions and the proportionate share of contributions | 146,688 | 17,019 |
| Contributions paid to TRS subsequent to the measurement date | 46,746 | -- |
| Total | \$ 476,784 | \$ 59,336 |

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

| Year Ended August 31 | Pension Expense Amount |
|-------------------------|------------------------------|
| 2020 | \$ 100,087 |
| 2021 | \$ 69,241 |
| 2022 | \$ 59,716 |
| 2023 | \$ 56,494 |
| 2024 | \$ 50,222 |
| Thereafter | \$ 34,941 |

J. Defined Other Post-Employment Benefit Plans

1. Plan Description

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

2. 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.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.

3. Benefits Provided

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

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional

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fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes, including automatic COLAs.

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for a retiree with and without Medicare coverage.

| TRS-Care Monthly for Retirees January 1, 2018 thru December 31, 2018 | | |
|---|----------|--------------|
| | Medicare | Non-Medicare |
| Retiree* | \$ 135 | \$ 200 |
| Retiree and Spouse | 529 | 689 |
| Retiree* and Children | 468 | 408 |
| Retiree and Family | 1,020 | 999 |

* or surviving spouse

4. Contributions

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.75% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% 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. The following table shows contributions to the TRS-Care plan by type of contributor.

| Contribution Rates | | |
|---|-------|--------|
| | 2018 | 2019 |
| 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 Employer Contributions | \$ | 13,866 |
| District's 2019 Member Contributions | \$ | 10,636 |
| 2018 NECE On-Behalf Contributions (state) | \$ | 51,199 |

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether they participate in the TRS Care OPEB program). When hiring a TRS retiree, employers are required to pay to TRS-Care a monthly surcharge of \$535 per retiree.

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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. The 85th Texas Legislature, House Bill 30 provided an additional \$212 million in one-time, supplemental funding for the FY2018-19 biennium to continue to support the program. This was also received in FY2018 bringing the total appropriations received in fiscal year 2018 to \$394.6 million.

5. 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 actuarial valuation of TRS-Care is similar to the actuarial valuations performed on the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation, salary increases, and general payroll growth, used in the OPEB valuation were identical to those used in the respective TRS pension valuation. Since the assumptions were based upon a recent actuarial experience study performed and they were reasonable for this OPEB valuation, they were employed in the 2018 CAFR for the Teacher Retirement System of Texas.

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

Additional Actuarial Methods and Assumptions:

| | |
|--|--|
| Valuation Date | August 31, 2017 rolled forward to August 31, 2018 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Inflation | 2.30% |
| Single Discount Rate * | 3.69% * |
| Aging Factors | Based on plan specific experience |
| Expenses | Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs. |
| Payroll Growth Rate | 3.00% |
| Projected Salary Increases | 3.05% to 9.05%, including inflation *** |
| Healthcare Trend Rates ** | 8.50% ** |
| Election Rates | Normal Retirement: 70% participation prior to age 65 and 75% after age 65. |
| Ad Hoc Post-Employment Benefit Changes | None |

*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.

**8.50% for FY2019, decreasing 0.5% per year to 4.50% for FY2027 and later years.

*** Includes inflation at 2.5%.

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6. Discount Rate

A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase of .27% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used 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 net OPEB liability | \$ 1,589,482 | \$ 1,335,314 | \$ 1,134,250 |

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

At August 31, 2019, the District reported a liability of \$1,335,314 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 the District were as follows:

| | |
|---|---------------------|
| District's proportionate share of the collective net OPEB liability | \$ 1,335,314 |
| State's proportionate share that is associated with the District | \$ 1,407,573 |
| Total | \$ 2,742,887 |

The Net OPEB liability was measured as of August 31, 2017 and rolled forward to 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 District's proportion of the Net OPEB liability was based on the District's contributions to OPEB relative to the contributions of all employers to the plan for the period September 1, 2017 thru August 31, 2018.

At August 31, 2019 the District's proportion of the collective net OPEB liability was 0.0026743%, compared to 0.0020873% as of August 31, 2017.

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

| | 1% Decrease in Healthcare Trend Rate (7.5%) | Current Single Healthcare Trend Rate (8.5%) | 1% Increase in Healthcare Trend Rate (9.5%) |
|--|---|---|---|
| District's proportionate share of net OPEB liability | \$ 1,109,000 | \$ 1,335,314 | \$ 1,633,374 |

9. Changes Since the Prior Actuarial Valuation

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

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- 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 was changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018. This change lowered the Total OPEB Liability \$2.3 billion.
- Change of Benefit Terms Since the Prior Measurement Date - Please see the 2018 TRS CAFR, page 68, section B for a list of changes made effective September 1, 2017 by the 85th Texas Legislature.

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

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

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

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provision or applicable law.

Changes of benefit terms that affected measurement of the total OPEB liability during the measurement period are listed below:

The 85th Legislature, Regular Session, passed the following statutory changes in House Bill 3976 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.

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For the year ended August 31, 2019, the District recognized OPEB expense of \$51,199 and revenue of \$51,199 for support provided by the State.

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

| | Deferred Outflow of Resources | Deferred Inflow of Resources |
|--|-------------------------------------|------------------------------------|
| Differences between expected and actual economic experience | \$ 70,860 | \$ 21,073 |
| Changes in actuarial assumptions | 22,283 | 401,185 |
| Differences between projected and actual investment earnings | 234 | -- |
| Changes in proportion and difference between the District's contributions and the proportionate share of contributions | 321,912 | -- |
| Contributions paid to TRS subsequent to the measurement date | 13,866 | -- |
| Total | \$ 429,155 | \$ 422,258 |

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

| Year ended August 31, | Amount |
|-----------------------|-------------|
| 2020 | \$ (12,509) |
| 2021 | \$ (12,509) |
| 2022 | \$ (12,509) |
| 2023 | \$ (12,554) |
| 2024 | \$ (12,579) |
| Thereafter | \$ 55,690 |

10. Medicare Part D Subsidies

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. For the current fiscal year ended August 31, 2019, the subsidy payment received by TRS-Care on behalf of the District was \$6,500.

K. Employee Health Care Coverage

During the year ended August 31, 2019, employees of the District were covered by TRS Active Care. The District paid premiums of \$275 per pay period per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to TRS Active Care through the Teacher Retirement System. The Plan was authorized by the Texas Education Code.

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L. Commitments and Contingencies

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the District at August 31, 2019.

M. Shared Services Arrangements

Shared Services Arrangement - Membership

The District participates in a shared services arrangement ("SSA") for special education services with the following school districts:

Member Districts

| | |
|---------------------------|-------------|
| De Leon ISD, fiscal agent | Gustine ISD |
| Comanche ISD | Sidney ISD |
| Cross Plains, ISD | May ISD |
| Rising Star ISD | |

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, May ISD, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

The District participates in a shared services arrangement with Education Service Center Region 15 for Title III LEP, Title III, and Carl D. Perkins. The District does not account for revenues or expenditures in these programs and does not disclose them in their financial statements. The fiscal agent manager, Education Service Center Region 15, is responsible for all financial activities of the shared services arrangements. The District neither has a joint ownership interest in capital assets purchased by the fiscal agent, Education Service Center Region 15, nor does the District have a net equity interest in the exigencies that would give rise to a future additional benefit or burden to the District.

N. Subsequent Events

Management has reviewed all transactions and events from August 31, 2019 to January 20, 2020. There were no items identified that require disclosure in the financial statements.

O. Prior Period Adjustments

The District had prior period adjustments that affected the General Fund in the Governmental Funds and the Government-Wide Funds. The prior period adjustment corrected prior period revenues amounting to \$7,970.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

MAY INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2019

EXHIBIT G-1
Page 1 of 2

| Data Control Codes | 1 | | 2 | | 3 | | Variance with Final Budget Positive (Negative) |
|---|--|------------------|------------------|------------------|------------------|--|--|
| | Budgeted Amounts | | | | Actual | | |
| | Original | Final | | | | | |
| REVENUES: | | | | | | | |
| 5700 | <i>Local and Intermediate Sources</i> | \$ 1,760,893 | \$ 1,760,918 | \$ 1,785,693 | \$ 24,775 | | |
| 5800 | <i>State Program Revenues</i> | 1,295,517 | 1,295,517 | 1,098,593 | (196,924) | | |
| 5900 | <i>Federal Program Revenues</i> | 28,000 | 28,000 | 99,331 | 71,331 | | |
| 5020 | Total Revenues | <u>3,084,410</u> | <u>3,084,435</u> | <u>2,983,617</u> | <u>(100,818)</u> | | |
| EXPENDITURES: | | | | | | | |
| Current: | | | | | | | |
| Instruction & Instructional Related Services: | | | | | | | |
| 0011 | <i>Instruction</i> | 1,500,017 | 1,402,017 | 1,405,372 | (3,355) | | |
| 0012 | <i>Instructional Resources and Media Services</i> | 31,018 | 31,018 | 28,196 | 2,822 | | |
| 0013 | <i>Curriculum and Staff Development</i> | 47,829 | 18,329 | 2,818 | 15,511 | | |
| | Total Instruction & Instr. Related Services | <u>1,578,864</u> | <u>1,451,364</u> | <u>1,436,386</u> | <u>14,978</u> | | |
| Instructional and School Leadership: | | | | | | | |
| 0021 | <i>Instructional Leadership</i> | 45,000 | 49,000 | 45,296 | 3,704 | | |
| 0023 | <i>School Leadership</i> | 203,781 | 203,781 | 198,990 | 4,791 | | |
| | Total Instructional & School Leadership | <u>248,781</u> | <u>252,781</u> | <u>244,286</u> | <u>8,495</u> | | |
| Support Services - Student (Pupil): | | | | | | | |
| 0031 | <i>Guidance, Counseling and Evaluation Services</i> | 17,364 | 25,264 | 23,895 | 1,369 | | |
| 0033 | <i>Health Services</i> | 16,921 | 10,921 | 2,943 | 7,978 | | |
| 0034 | <i>Student (Pupil) Transportation</i> | 95,099 | 110,099 | 106,539 | 3,560 | | |
| 0035 | <i>Food Services</i> | 4,035 | 4,535 | 4,685 | (150) | | |
| 0036 | <i>Cocurricular/Extracurricular Activities</i> | 162,885 | 162,885 | 140,570 | 22,315 | | |
| | Total Support Services - Student (Pupil) | <u>296,304</u> | <u>313,704</u> | <u>278,632</u> | <u>35,072</u> | | |
| Administrative Support Services: | | | | | | | |
| 0041 | <i>General Administration</i> | 277,856 | 281,856 | 281,564 | 292 | | |
| | Total Administrative Support Services | <u>277,856</u> | <u>281,856</u> | <u>281,564</u> | <u>292</u> | | |
| Support Services - Nonstudent Based: | | | | | | | |
| 0051 | <i>Plant Maintenance and Operations</i> | 276,372 | 287,372 | 285,338 | 2,034 | | |
| 0052 | <i>Security and Monitoring Services</i> | -- | 600 | 404 | 196 | | |
| 0053 | <i>Data Processing Services</i> | 104,458 | 139,958 | 138,996 | 1,562 | | |
| | Total Support Services - Nonstudent Based | <u>380,830</u> | <u>427,930</u> | <u>424,738</u> | <u>3,792</u> | | |
| Debt Service: | | | | | | | |
| 0071 | <i>Principal on Long-Term Debt</i> | 67,000 | 67,000 | 67,000 | -- | | |
| 0072 | <i>Interest on Long-Term Debt</i> | 31,115 | 31,115 | 2,495 | 28,620 | | |
| 0073 | <i>Bond Issuance Costs and Fees</i> | -- | -- | 750 | (750) | | |
| | Total Debt Service | <u>98,115</u> | <u>98,115</u> | <u>70,245</u> | <u>27,870</u> | | |
| Capital Outlay: | | | | | | | |
| 0081 | <i>Capital Outlay</i> | 35,000 | 8,000 | -- | 8,000 | | |
| | Total Capital Outlay | <u>35,000</u> | <u>8,000</u> | <u>--</u> | <u>8,000</u> | | |
| Intergovernmental Charges: | | | | | | | |
| 0093 | <i>Payments to Fiscal Agent/Member Dist.-SSA</i> | 60,000 | 70,000 | 67,546 | 2,454 | | |
| | Total Intergovernmental Charges | <u>60,000</u> | <u>70,000</u> | <u>67,546</u> | <u>2,454</u> | | |
| 6030 | Total Expenditures | <u>2,975,750</u> | <u>2,903,750</u> | <u>2,802,797</u> | <u>100,953</u> | | |

MAY INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2019

EXHIBIT G-1
Page 2 of 2

| Data Control Codes | | 1 | 2 | 3 | Variance with Final Budget Positive (Negative) |
|--------------------------|--|------------------|--------------|--------------|---|
| | | Budgeted Amounts | | Actual | |
| | | Original | Final | | |
| 1100 | Excess (Deficiency) of Revenues Over (Under) | | | | |
| 1100 | Expenditures | 108,660 | 180,685 | 180,820 | 135 |
| | Other Financing Sources (Uses): | | | | |
| 8911 | Transfers Out | (17,078) | (44,078) | (44,000) | 78 |
| 7080 | Total Other Financing Sources and (Uses) | (17,078) | (44,078) | (44,000) | 78 |
| 1200 | Net Change in Fund Balance | 91,582 | 136,607 | 136,820 | 213 |
| 0100 | Fund Balance - Beginning | 1,672,870 | 1,672,870 | 1,672,870 | -- |
| 1300 | Prior Period Adjustment | -- | -- | (7,970) | (7,970) |
| 0100 | Fund Balance - Beginning, as Restated | 1,672,870 | 1,672,870 | 1,664,900 | (7,970) |
| 3000 | Fund Balance - Ending | \$ 1,764,452 | \$ 1,809,477 | \$ 1,801,720 | \$ (7,757) |

MAY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
Teacher Retirement System of Texas
LAST TEN FISCAL YEARS *

| | Fiscal Year | | | | |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|
| | 2019 Plan Year 2018 | 2018 Plan Year 2017 | 2017 Plan Year 2016 | 2016 Plan Year 2015 | 2015 Plan Year 2014 |
| District's proportion of the net pension liability (asset) | 0.0014035% | 0.0012715% | 0.0013436% | 0.0012908% | 0.0005673% |
| District's proportionate share of the net pension liability (asset) | \$ 772,531 | \$ 407,724 | \$ 507,732 | \$ 456,281 | \$ 151,533 |
| State's proportionate share of the net pension liability (asset) associated with the District | 1,537,833 | 984,305 | 1,234,386 | 1,073,185 | 903,781 |
| Total | \$ 2,310,364 | \$ 1,392,029 | \$ 1,742,118 | \$ 1,529,466 | \$ 1,055,314 |
| District's covered-employee payroll | \$ 1,679,644 | \$ 1,726,921 | \$ 1,771,779 | \$ 1,541,191 | \$ 1,457,329 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 45.99% | 23.61% | 28.66% | 29.61% | 10.40% |
| Plan fiduciary net position as a percentage of the total pension liability | 73.74% | 82.17% | 78.00% | 78.43% | 83.25% |

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled this schedule provides the information only for those years for which information is available.

MAY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
Teacher Retirement System of Texas
LAST TEN FISCAL YEARS *

| | Fiscal Year | | | | |
|--|--------------|--------------|--------------|--------------|--------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| Contractually required contribution | \$ 46,746 | \$ 47,806 | \$ 41,777 | \$ 42,690 | \$ 38,222 |
| Contributions in relation to the contractually required contribution | (46,746) | (47,806) | (41,777) | (42,690) | (38,222) |
| Contribution deficiency (excess) | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| District's covered-employee payroll | \$ 1,636,274 | \$ 1,679,644 | \$ 1,726,921 | \$ 1,771,779 | \$ 1,541,191 |
| Contributions as a percentage of covered-employee payroll | 2.86% | 2.85% | 2.42% | 2.41% | 2.48% |

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

MAY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
Teacher Retirement System of Texas
LAST TEN FISCAL YEARS *

| | FY 2019 | FY 2018 |
|--|---------------------|---------------------|
| | Plan Year 2018 | Plan Year 2017 |
| District's proportion of the collective net OPEB liability | 0.00267432% | 0.00208732% |
| District's proportionate share of the collective net OPEB liability | \$ 1,335,314 | \$ 907,697 |
| State proportionate share of the collective net OPEB liability associated with the District | \$ 1,407,573 | \$ 1,368,468 |
| Total | <u>\$ 2,742,887</u> | <u>\$ 2,276,165</u> |
| District's covered-employee payroll | \$ 1,679,644 | \$ 1,726,921 |
| District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll | 79.50% | 52.56% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 1.57% | 0.91% |

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

MAY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS *

| | Fiscal Year Ended | |
|--|-------------------|--------------|
| | 2019 | 2018 |
| Statutorily or contractually required District contribution | \$ 13,866 | \$ 18,984 |
| Contributions recognized by OPEB in relation to statutorily or contractually required contribution | (13,866) | (18,984) |
| Contribution deficiency (excess) | \$ -- | \$ -- |
| District's covered-employee payroll | \$ 1,636,274 | \$ 1,679,644 |
| Contributions as a percentage of covered-employee payroll | 0.85% | 1.13% |

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

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

Budget

The official budget was prepared for adoption for all Governmental Fund Types. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data.:

- a. Prior to August 21 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the Board.

Once a budget is approved, it can be amended at function and fund level only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings.

Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law.

Each amendment is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

Defined Benefit Pension Plan

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

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

*Combining Statements and Budget Comparisons
as Supplementary Information*

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

MAY INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2019

| Data Control Codes | 211 ESEA Title I Improving Basic Programs | 240 National School Breakfast/Lunch Program | 255 ESEA Title II Training & Recruiting | 270 ESEA, Title VI Part B, Subpart Rural School |
|---------------------------|--|--|--|--|
| ASSETS: | | | | |
| 1110 | Cash and Cash Equivalents | \$ -- | \$ (735) | \$ -- |
| 1240 | Due from Other Governments | 3,259 | 4,946 | 1,050 |
| 1000 | Total Assets | 3,259 | 4,211 | 1,050 |
| LIABILITIES: | | | | |
| Current Liabilities: | | | | |
| 2110 | Accounts Payable | \$ -- | \$ -- | \$ -- |
| 2160 | Accrued Wages Payable | 2,604 | 2,822 | 822 |
| 2200 | Accrued Expenditures | 655 | 311 | 228 |
| 2000 | Total Liabilities | 3,259 | 3,133 | 1,050 |
| FUND BALANCES: | | | | |
| Restricted Fund Balances: | | | | |
| 3450 | Federal/State Funds Grant Restrictions | -- | 1,078 | -- |
| 3490 | Other Restrictions of Fund Balance | -- | -- | -- |
| 3000 | Total Fund Balances | -- | 1,078 | -- |
| 4000 | Total Liabilities and Fund Balances | \$ 3,259 | \$ 4,211 | \$ 1,050 |

| 2 | 289 Title IV Part A Subpart 1 | 410 State Textbook Fund | 429 Math Achievement Stipends | 499 May ISD Nurse's Fund | Total Nonmajor Special Revenue Funds (See Exhibit C-1) |
|---|--|----------------------------------|--|-----------------------------------|---|
| | \$ -- | \$ (4,528) | \$ -- | \$ 288 | \$ (4,975) |
| | -- | 39,266 | -- | -- | 48,950 |
| | <u>--</u> | <u>34,738</u> | <u>--</u> | <u>288</u> | <u>43,975</u> |
| | \$ -- | \$ 34,738 | \$ -- | \$ -- | \$ 34,738 |
| | -- | -- | -- | -- | 6,599 |
| | -- | -- | -- | -- | 1,272 |
| | <u>--</u> | <u>34,738</u> | <u>--</u> | <u>--</u> | <u>42,609</u> |
| | -- | -- | -- | -- | 1,078 |
| | -- | -- | -- | 288 | 288 |
| | <u>--</u> | <u>--</u> | <u>--</u> | <u>288</u> | <u>1,366</u> |
| | <u>\$ --</u> | <u>\$ 34,738</u> | <u>\$ --</u> | <u>\$ 288</u> | <u>\$ 43,975</u> |

MAY INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2019

| Data Control Codes | 211 ESEA Title I Improving Basic Programs | 240 National School Breakfast/Lunch Program | 255 ESEA Title II Training & Recruiting | 270 ESEA, Title VI Part B, Subpart Rural School |
|--|--|--|--|--|
| REVENUES: | | | | |
| 5700 <i>Local and Intermediate Sources</i> | \$ -- | \$ 46,520 | \$ -- | \$ -- |
| 5800 <i>State Program Revenues</i> | -- | 811 | -- | -- |
| 5900 <i>Federal Program Revenues</i> | 148,357 | 119,599 | 7,980 | 17,063 |
| 5020 Total Revenues | <u>148,357</u> | <u>166,930</u> | <u>7,980</u> | <u>17,063</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| 0011 <i>Instruction</i> | 147,356 | -- | 7,980 | -- |
| 0021 <i>Instructional Leadership</i> | 1 | -- | -- | -- |
| 0033 <i>Health Services</i> | -- | -- | -- | 17,063 |
| 0034 <i>Student Transportation</i> | 1,000 | -- | -- | -- |
| 0035 <i>Food Service</i> | -- | 209,852 | -- | -- |
| 6030 Total Expenditures | <u>148,357</u> | <u>209,852</u> | <u>7,980</u> | <u>17,063</u> |
| 1100 Excess (Deficiency) of Revenues Over (Under) | | | | |
| 1100 Expenditures | <u>--</u> | <u>(42,922)</u> | <u>--</u> | <u>--</u> |
| Other Financing Sources and (Uses): | | | | |
| 7915 <i>Transfers In</i> | -- | 44,000 | -- | -- |
| 7080 Total Other Financing Sources and (Uses) | <u>--</u> | <u>44,000</u> | <u>--</u> | <u>--</u> |
| 1200 Net Change in Fund Balances | <u>--</u> | <u>1,078</u> | <u>--</u> | <u>--</u> |
| 0100 Fund Balances - Beginning | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> |
| 3000 Fund Balances - Ending | <u>\$ --</u> | <u>\$ 1,078</u> | <u>\$ --</u> | <u>\$ --</u> |

| 2 | 289 Title IV Part A Subpart 1 | 410 State Textbook Fund | 429 Math Achievement Stipends | 499 May ISD Nurse's Fund | Total Nonmajor Special Revenue Funds (See Exhibit C-2) |
|---|--|----------------------------------|--|-----------------------------------|---|
| | \$ -- | \$ -- | \$ -- | \$ -- | \$ 46,520 |
| | -- | 72,125 | 350 | -- | 73,286 |
| | <u>9,182</u> | -- | -- | -- | 302,181 |
| | <u>9,182</u> | <u>72,125</u> | <u>350</u> | <u>--</u> | <u>421,987</u> |
| | -- | 72,125 | 350 | -- | 227,811 |
| | 9,182 | -- | -- | -- | 9,183 |
| | -- | -- | -- | -- | 17,063 |
| | -- | -- | -- | -- | 1,000 |
| | -- | -- | -- | -- | 209,852 |
| | <u>9,182</u> | <u>72,125</u> | <u>350</u> | <u>--</u> | <u>464,909</u> |
| | -- | -- | -- | -- | (42,922) |
| | -- | -- | -- | -- | 44,000 |
| | -- | -- | -- | -- | 44,000 |
| | -- | -- | -- | -- | 1,078 |
| | -- | -- | -- | 288 | 288 |
| | <u>9,182</u> | <u>72,125</u> | <u>350</u> | <u>288</u> | <u>1,366</u> |

MAY INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUNDS
AUGUST 31, 2019

| Data Control Codes | 806 Ethan Rhodes Memorial Scholarship Fund | 807 Betty Wilson Memorial Scholarship | 810 Doss Foundation Scholarship | Total Private- Purpose Trust Funds (See Exhibit E-1) |
|---------------------------------------|---|--|--|---|
| ASSETS: | | | | |
| 1110 <i>Cash and Cash Equivalents</i> | \$ 1,011 | \$ 507 | \$ -- | \$ 1,518 |
| 1120 <i>Current Investments</i> | 29,436 | 3,079 | -- | 32,515 |
| 1000 Total Assets | <u>30,447</u> | <u>3,586</u> | <u>--</u> | <u>34,033</u> |
| LIABILITIES: | | | | |
| 2000 Total Liabilities | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> |
| NET POSITION: | | | | |
| 3800 <i>Held in Trust</i> | \$ 30,447 | \$ 3,586 | \$ -- | \$ 34,033 |
| 3000 Total Net Position | <u>\$ 30,447</u> | <u>\$ 3,586</u> | <u>\$ --</u> | <u>\$ 34,033</u> |

MAY INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 ALL PRIVATE-PURPOSE TRUST FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2019

| | 806 Ethan Rhodes Memorial Scholarship Fund | 807 Betty Wilson Memorial Scholarship | 810 Doss Foundation Scholarship | Total Private-Purpose Trust Funds (See Exhibit E-2) |
|------------------------------------|---|--|--|---|
| Additions: | | | | |
| Investment Income | \$ 292 | \$ 32 | \$ -- | \$ 324 |
| Gifts and Bequests | -- | -- | -- | -- |
| Total Additions | <u>292</u> | <u>32</u> | <u>--</u> | <u>324</u> |
| Deductions: | | | | |
| Scholarship Awards | 500 | 1,000 | 500 | 2,000 |
| Administrative Expenses | -- | -- | -- | -- |
| Total Deductions | <u>500</u> | <u>1,000</u> | <u>500</u> | <u>2,000</u> |
| Change in Net Position | (208) | (968) | (500) | (1,676) |
| Net Position-Beginning of the Year | 30,655 | 4,554 | 500 | 35,709 |
| Net Position-End of the Year | <u>\$ 30,447</u> | <u>\$ 3,586</u> | <u>\$ --</u> | <u>\$ 34,033</u> |

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

MAY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2019

| Year Ended August 31 | Tax Rates | | 3 Assessed/Appraised Value For School Tax Purposes |
|--------------------------------|------------------|-------------------|---|
| | 1 Maintenance | 2 Debt Service | |
| 2010 and Prior Years | \$ Various | \$ Various | \$ Various |
| 2011 | 1.04 | .0987 | 142,476,696 |
| 2012 | 1.04 | .269 | 149,885,284 |
| 2013 | 1.04 | .2775 | 153,034,838 |
| 2014 | 1.04 | .2621 | 152,651,671 |
| 2015 | 1.04 | .2621 | 164,238,930 |
| 2016 | 1.04 | .2369 | 161,023,397 |
| 2017 | 1.04 | .2623 | 160,461,573 |
| 2018 | 1.04 | .2623 | 160,800,968 |
| 2019 (School Year Under Audit) | 1.04 | .2567 | 162,644,896 |

1000 Totals

9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code

| 10 Beginning Balance 9/1/18 | 20 Current Year's Total Levy | 31 Maintenance Collections | 32 Debt Service Collections | 40 Entire Year's Adjustments | 50 Ending Balance 8/31/19 |
|--------------------------------------|---------------------------------------|----------------------------------|-----------------------------------|---------------------------------------|------------------------------------|
| \$ 62,050 | \$ -- | \$ 1,953 | \$ 227 | \$ (11,526) | \$ 48,343 |
| 8,348 | -- | 614 | 58 | (734) | 6,941 |
| 13,831 | -- | 563 | 146 | (1,049) | 12,074 |
| 17,307 | -- | 908 | 242 | (1,525) | 14,632 |
| 14,259 | -- | 823 | 207 | (1,596) | 11,833 |
| 18,499 | -- | 1,652 | 416 | (1,635) | 14,796 |
| 22,667 | -- | 2,050 | 467 | (1,522) | 18,628 |
| 43,467 | -- | 9,977 | 2,516 | (2,037) | 28,936 |
| 73,267 | -- | 27,818 | 7,016 | (4,223) | 34,210 |
| -- | 2,109,018 | 1,617,809 | 399,319 | (6,689) | 65,201 |
| <u>\$ 273,693</u> | <u>\$ 2,109,018</u> | <u>\$ 1,664,167</u> | <u>\$ 410,615</u> | <u>\$ (32,536)</u> | <u>\$ 275,393</u> |
| \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |

MAY INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2019

EXHIBIT J-2

| Data Control Codes | 1 | 2 | 3 |
|--|-----------------|-----------------|------------------------------------|
| | Budget | Actual | Variance Positive (Negative) |
| REVENUES: | | | |
| 5700 <i>Local and Intermediate Sources</i> | \$ 60,000 | \$ 46,520 | \$ (13,480) |
| 5800 <i>State Program Revenues</i> | 1,000 | 811 | (189) |
| 5900 <i>Federal Program Revenues</i> | 119,607 | 119,589 | (8) |
| 5020 Total Revenues | <u>180,607</u> | <u>166,930</u> | <u>(13,677)</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| Support Services - Student (Pupil): | | | |
| 0035 <i>Food Services</i> | 224,685 | 209,852 | 14,833 |
| Total Support Services - Student (Pupil) | <u>224,685</u> | <u>209,852</u> | <u>14,833</u> |
| 6030 Total Expenditures | <u>224,685</u> | <u>209,852</u> | <u>14,833</u> |
| 1100 Excess (Deficiency) of Revenues Over (Under) | | | |
| 1100 Expenditures | <u>(44,078)</u> | <u>(42,922)</u> | <u>1,156</u> |
| Other Financing Sources (Uses): | | | |
| 7915 <i>Transfers In</i> | 44,078 | 44,000 | (78) |
| 7080 Total Other Financing Sources and (Uses) | <u>44,078</u> | <u>44,000</u> | <u>(78)</u> |
| 1200 Net Change in Fund Balance | -- | 1,078 | 1,078 |
| 0100 Fund Balance - Beginning | -- | -- | -- |
| 3000 Fund Balance - Ending | <u>\$ --</u> | <u>\$ 1,078</u> | <u>\$ 1,078</u> |

MAY INDEPENDENT SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2019

EXHIBIT J-3

| Data Control Codes | 1 | 2 | 3 |
|--|-------------------|-------------------|------------------------------------|
| | Budget | Actual | Variance Positive (Negative) |
| REVENUES: | | | |
| 5700 <i>Local and Intermediate Sources</i> | \$ 422,825 | \$ 421,814 | \$ (1,011) |
| 5800 <i>State Program Revenues</i> | -- | 12,457 | 12,457 |
| 5020 Total Revenues | <u>422,825</u> | <u>434,271</u> | <u>11,446</u> |
| EXPENDITURES: | | | |
| Debt Service: | | | |
| 0071 <i>Principal on Long-Term Debt</i> | 365,000 | 365,000 | -- |
| 0072 <i>Interest on Long-Term Debt</i> | 28,351 | 28,351 | -- |
| 0073 <i>Bond Issuance Costs and Fees</i> | 2,000 | 2,000 | -- |
| Total Debt Service | <u>395,351</u> | <u>395,351</u> | <u>--</u> |
| 6030 Total Expenditures | <u>395,351</u> | <u>395,351</u> | <u>--</u> |
| 1100 Excess (Deficiency) of Revenues Over (Under) | | | |
| 1100 Expenditures | <u>27,474</u> | <u>38,920</u> | <u>11,446</u> |
| 1200 Net Change in Fund Balance | <u>27,474</u> | <u>38,920</u> | <u>11,446</u> |
| 0100 Fund Balance - Beginning | 189,001 | 189,001 | -- |
| 3000 Fund Balance - Ending | <u>\$ 216,475</u> | <u>\$ 227,921</u> | <u>\$ 11,446</u> |

BURL D. LOWERY
CERTIFIED PUBLIC ACCOUNTANT
Member A.I.C.P.A. & T.S.C.P.A.
Post Office Box 626
311 Center
Brownwood, Texas 76804

BURL D. LOWERY, C.P.A.
JOYCE CORNELIUS, C.P.A.

Telephone 325-646-8838
Fax 325-643-2157

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

Board of Trustees
May Independent School District
3400 E County Road 411
May, Texas 76857

Members of the Board of Trustees:

I 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 May Independent School District, as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise May Independent School District's basic financial statements, and have issued my report thereon dated January 20, 2020.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the May 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the May Independent School District's internal control. Accordingly, I do not express an opinion on the effectiveness of the May 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the May Independent School District's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my 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.



Burl D. Lowery
Certified Public Accountant

Brownwood, TX
January 20, 2020

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

A. Summary of Auditor's Results

1. Financial Statements

| | | | |
|--|-------------------|----------------------------|--|
| Type of auditor's report issued: | <u>Unmodified</u> | | |
| Internal control over financial reporting: | | | |
| One or more material weaknesses identified? | <u> </u> Yes | <u> X </u> No | |
| One or more significant deficiencies identified that are not considered to be material weaknesses? | <u> </u> Yes | <u> X </u> None Reported | |
| Noncompliance material to financial statements noted? | <u> </u> Yes | <u> X </u> No | |

B. Financial Statement Findings

NONE

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

| <u>Finding/Recommendation</u> | <u>Current Status</u> | <u>Management's Explanation If Not Implemented</u> |
|---|-----------------------|--|
| <p>2018-001 Student Activity Funds The Balances of the subgroups and classes within the Student Activity Fund do not agree with the reconciled balance of the Student Activity Fund bank account.</p> <p>Recommendation: The District should review the financial records to determine the correct deposits and checks applicable to each class or group to determine the correct balance for each class or group. The balances should then be reconciled to the bank account.</p> | Implemented | |

MAY INDEPENDENT SCHOOL DISTRICT**SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2019**

| Data Control Codes | | Responses |
|--------------------------|--|------------|
| SF2 | Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end? | No |
| SF4 | Was there an unmodified opinion in the Annual Financial Report? | Yes |
| SF5 | Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds? | No |
| SF6 | Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state or federal funds? | No |
| SF7 | Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other governmental agencies? | Yes |
| SF8 | Did the school district <u>not</u> receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship? | Yes |
| SF10 | What was the total accumulated accretion on capital appreciation bonds (CABs) included in government-wide financial statements at fiscal year-end? | \$ -- |
| SF11 | Net Pension Assets (object 1920) at fiscal year-end. | \$ -- |
| SF12 | Net Pension Liabilities (object 2540) at fiscal year-end. | \$ 772,531 |
| SF13 | Pension Expense (object 6147) at fiscal year-end. | \$ |

In correspondence to all school administrators dated November 1, 2017, the TEA's Director of Financial Compliance stated "For 2017, and until further notice, no data should be entered in the field for data feed Schedule L-1 question SF13. If the AFR and data feed has been submitted no additional steps need to be taken."