

# **Texas City Independent School District**

Annual Financial Report

For the Fiscal Year Ended August 31, 2019

**Texas City Independent School District**  
 Annual Financial Report  
 For the Fiscal Year Ended August 31, 2019  
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Certificate of the Board

Texas City Independent School District

Name of School District

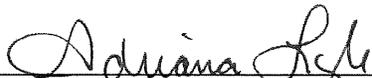
Galveston

County

084-906

Co.-Dist Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and ✓ approved \_\_\_\_\_ disapproved for the fiscal year ended August 31, 2019 at a meeting of the Board of Trustees of such school district on the 10 day of December, 2019.



Signature of Board Secretary



Signature of Board President

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

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# Financial Section

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## Independent Auditor's Report

To the Board of Trustees of  
Texas City Independent School District  
Texas City, Texas

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Texas City 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*

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

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

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Supplementary Information and Schedule of Required Responses to Selected School FIRST Indicators, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The Schedule of Required Responses to Selected School FIRST Indicators has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

The Board of Trustees of  
Texas City Independent School District

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas  
December 10, 2019

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## Management's Discussion and Analysis

As management of the Texas City Independent School District (the District), we offer readers of the accompanying report this narrative overview and analysis of the financial activities of the District for the fiscal year ended August 31, 2019. In reviewing this report, readers should be mindful that it is often necessary for management to make and use estimates in the preparation of financial statements. Examples of the use of such estimates may be found in amounts reported for depreciation, net taxes receivable, net pension liability, other post-employment benefit (OPEB) liability, and claims payable of the District's self-insured workers' compensation program.

### Financial Highlights

- Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources at year-end by \$96,574,914 (net position).
- The District's total net position increased by \$32,971,539 from current operations.
- As of the close of the year, the District's governmental funds had combined ending fund balances of \$214,391,601, an increase of \$75,809,782 as compared to the preceding year and is primarily due to issuance of bonds.
- At the end of the year, unassigned fund balance of the general fund was \$40,301,493, or 47 percent of the year's total general fund expenditures.
- The District's total bonded debt increased by \$49,623,302 (27 percent) during the year.

### Overview of the Financial Statements

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

**Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector enterprise.

The *Statement of Net Position* (Exhibit A-1) presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as an indicator of how the financial position of the District is changing.

The *Statement of Activities* (Exhibit B-1) presents information showing how the District's net position changed during the year. Changes in net position are reported upon occurrence of the underlying event giving rise to the change, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some transactions that will not result in cash flows until future fiscal periods (e.g., uncollected taxes and incurred but unpaid workers' compensation benefits).

The government-wide financial operations (*governmental activities*) of the District are principally supported by taxes and intergovernmental revenues. The governmental activities of the District include *Instruction, Instructional Resources and Media Services, Curriculum and Instructional Staff Development, Instructional Leadership, School Leadership, Guidance, Counseling, and Evaluation Services, Social Work Services, Health Services, Student Transportation, Food Services, Extracurricular Activities, General Administration, Plant Maintenance and Operations, Security and Monitoring Services, Data Processing Services, Community Services, Interest on Long-term Debt, Issuance Costs and Fees, Facilities Acquisition and Construction, Contracted Instructional Services Between Schools, Payments Related to Shared Service Arrangements, Payments to Juvenile Justice Alternative Education Programs, and Other Intergovernmental Charges*, as applicable.

The government-wide financial statements can be found as noted in the table of contents of this report.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, as do other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

Because the focus of governmental funds financial statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintained twenty individual governmental funds during the year. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects funds, which are considered to be major funds. Data from the other seventeen governmental funds are combined into a single, aggregated presentation titled *other governmental funds*.

The District adopts an annual revenue and appropriations budget for its general fund, debt service fund and national school breakfast and lunch program special revenue fund. All other governmental funds adopt project length budgets. Subsequent to adoption, amendments approved by the governing body are reflected in a revised budget column. A budgetary comparison statement has been provided for the general fund, debt service fund and national school breakfast and lunch program special revenue fund to demonstrate compliance with its budget.

The basic governmental fund financial statements are noted in the table of contents of this report.

**Proprietary Fund.** The District maintains one type of proprietary fund. An internal service fund is a type of proprietary fund that uses an accounting process which accumulates and allocates costs internally among the District's various funds and functions. The District uses the internal service fund to account for its self-funded workers' compensation program. Because this service predominantly benefits governmental operations, their financial activities have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide essentially the same type of information as the government-wide financial statements, only in more detail. The internal service fund financial statements are provided with the basic financial statements and provide information for the self-funded workers' compensation program.

The basic proprietary fund financial statements are noted in the table of contents of this report.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of employees, students, and student organizations. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs and activities. A statement of fiduciary net position and statement of changes in fiduciary net position are presented for fiduciary funds, as noted in the table of contents of this report.

**Notes to the Basic Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements are noted in the table of contents of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report presents required supplementary information and supplementary and other information, including schedules required by the Texas Education Agency. Such information is noted in the table of contents of this report.

## Government-wide Financial Analysis

As mentioned earlier, net position may, over time, serve as an indicator of a District's changing financial position. At the close of the District's most recent fiscal year, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$96,574,914, an increase of \$32,971,539 over the preceding year.

### Texas City Independent School District's Net Position

	Governmental Activities					
	2019		2018		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Current and other assets	\$ 231,231,252	56	\$ 148,525,243	46	\$ 82,706,009	56
Capital assets, net of depreciation	182,412,773	44	172,770,611	54	9,642,162	6
<b>Total assets</b>	<b>413,644,025</b>	<b>100</b>	<b>321,295,854</b>	<b>100</b>	<b>92,348,171</b>	
Total deferred outflows of resources	30,450,953	100	18,826,560	100	11,624,393	62
Long-term liabilities outstanding	314,642,370	97	249,352,627	98	65,289,743	26
Other liabilities	10,820,956	3	4,011,200	2	6,809,756	170
<b>Total liabilities</b>	<b>325,463,326</b>	<b>100</b>	<b>253,363,827</b>	<b>100</b>	<b>72,099,499</b>	
Total deferred inflows of resources	22,056,738	100	23,155,212	100	(1,098,474)	(5)
Net position:						
Net investment in capital assets	71,688,976	74	61,569,135	97	10,119,841	16
Restricted	13,857,492	15	11,844,117	18	2,013,375	17
Unrestricted	11,028,446	11	(9,809,877)	(15)	20,838,323	(212)
<b>Total net position</b>	<b>\$ 96,574,914</b>	<b>100</b>	<b>\$ 63,603,375</b>	<b>100</b>	<b>\$ 32,971,539</b>	

The largest portion of the District's net position is net investment in capital assets. Investment in capital assets (e.g., land, buildings and improvements, furniture and equipment, and construction in progress), less any related debt used to acquire those assets that are still outstanding represent 74 percent of the District's net position. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net position of \$13,857,492, which represents 15 percent of total net position, is restricted for future debt service and grant expenditures.

*Unrestricted* net position of \$11,028,446 will provide funds to meet future obligations to students and creditors.

**Governmental Activities.** Governmental activities increased the District's net position by \$32,971,539 from current operations. Key elements of this change are as follows:

**Texas City Independent School District's Change in Net Position**

	Governmental Activities					
	2019		2018		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Revenues:						
Program revenues:						
Charges for services	\$ 1,793,354	1	\$ 1,954,788	1	\$ (161,434)	(8)
Operating grants and contributions	30,773,503	20	9,786,588	7	20,986,915	214
General revenues:						
Property taxes, levied for general purposes	56,856,071	37	54,530,148	41	2,325,923	4
Property taxes, levied for debt service	16,849,910	11	12,301,767	10	4,548,143	37
Grants and contributions not restricted to specific programs	37,729,200	25	36,975,626	28	753,574	2
Insurance proceeds	2,425,716	1	13,463,505	10	(11,037,789)	(82)
Investment earnings	4,599,911	3	1,204,261	1	3,395,650	282
Miscellaneous	2,798,851	2	2,111,190	2	687,661	33
<b>Total revenues</b>	<b>153,826,516</b>	<b>100</b>	<b>132,327,873</b>	<b>100</b>	<b>21,498,643</b>	
Expenses:						
Instruction	58,179,986	48	36,913,817	38	21,266,169	58
Instructional resources and media services	1,059,670	1	926,865	1	132,805	14
Curriculum and instructional staff development	1,339,276	1	762,153	1	577,123	76
Instructional leadership	2,136,747	2	699,778	1	1,436,969	205
School leadership	6,250,878	5	4,151,418	4	2,099,460	51
Guidance, counseling, and evaluation services	3,279,718	3	1,847,454	2	1,432,264	78
Social work services	318,655	-	133,384	-	185,271	139
Health services	975,255	1	768,230	1	207,025	27
Student transportation	2,379,778	2	2,162,503	2	217,275	10
Food services	5,957,279	5	4,288,526	4	1,668,753	39
Extracurricular activities	3,921,361	3	2,947,404	3	973,957	33
General administration	3,531,976	3	2,534,952	3	997,024	39
Plant maintenance and operations	16,244,796	13	29,434,173	30	(13,189,377)	(45)
Security and monitoring services	3,177,439	3	1,665,576	2	1,511,863	91
Data processing services	2,567,492	2	1,452,630	1	1,114,862	77
Community services	350,142	-	79,566	-	270,576	340
Interest on long-term debt	7,094,068	6	4,575,676	4	2,518,392	55
Issuance costs and fees	696,371	1	572,797	1.0	123,574	22
Facilities repair and maintenance	70,621	-	739,269	1	(668,648)	(90)
Contracted instructional services between schools	518,451	1	420,617	-	97,834	23
Payments related to shared service arrangements	292,075	-	324,958	-	(32,883)	(10)
Payments to juvenile justice alternative education programs	24,145	-	5,141	-	19,004	370
Other intergovernmental charges	488,798	-	575,532	1	(86,734)	(15)
<b>Total expenses</b>	<b>120,854,977</b>	<b>100</b>	<b>97,982,419</b>	<b>100</b>	<b>22,872,558</b>	
<b>Change in net position</b>	<b>32,971,539</b>		<b>34,345,454</b>		<b>(1,373,915)</b>	
Net position - beginning, as originally reported	63,603,375		95,011,400		(31,408,025)	
Prior period adjustment	-		(65,753,479)		65,753,479	
<b>Net position - beginning, as restated</b>	<b>63,603,375</b>		<b>29,257,921</b>		<b>34,345,454</b>	
<b>Net position - ending</b>	<b>\$ 96,574,914</b>		<b>\$ 63,603,375</b>		<b>\$ 32,971,539</b>	

Revenues, aggregating \$153,826,516, were generated primarily from two sources. Property taxes \$73,705,981 represent 48 percent of total revenues while grants and contributions, (including those not restricted for program-specific use as well as for general operations, totaling \$68,502,703), represent 45 percent of total revenues. The remaining 7 percent is generated from investment earnings, charges for services, insurance proceeds, and miscellaneous revenues.

The most significant changes were:

- Insurance proceeds which were offset by expenditures in plant maintenance and operation
- Effect of negative on-behalf pension expense in prior year resulted in an increase in operating grant revenue offset by increases in expenditures

The primary functional expenses of the District are Instruction \$58,179,986, which represents 48 percent of total expenses and Plant maintenance and operations \$16,244,796, which represents 13 percent of total expenses, while all remaining expense categories are individually 6 percent or less of total expenses. The major change in the current year is there was no reduction in expenses affected by a negative on-behalf contribution as reported in prior year related to GASB Statement No. 75.

### **Financial Analysis of the Government's Funds**

As mentioned earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** At the end of the fiscal year, the District's governmental funds had combined ending fund balances of \$214,391,601, an increase of \$75,809,782 from the preceding year. Comments as to each individual major fund's change in fund balance follows.

The general fund is the primary operating fund of the District. At year-end, unassigned fund balance of the general fund was \$40,301,493, while total fund balance was \$75,942,955. To evaluate the general fund's liquidity, it may be helpful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 47 percent of total general fund expenditures, while total fund balance represents 88 percent of that same total. The fund balance of the general fund increased \$24,097,785 during the year, primarily due to receipt of federal revenues for hurricane recovery and a decrease in plant maintenance and operations expenditures.

The debt service fund ended the year with a total fund balance of \$12,989,994, all of which is restricted for the payment of principal and interest on debt. The debt service fund balance increased \$2,154,306 during the year, primarily due to the increase in rates for property tax interest and sinking.

The capital projects fund has a total fund balance of \$123,515,144, which is an increase of \$49,613,926. The net increase in fund balance during the current year in the capital projects fund was due to the sale of \$61,575,000 of building bonds.

Governmental funds financial statements may be found by referring to the table of contents.

**Proprietary Funds.** The District's proprietary fund financial statements, reflect the District's internal service fund created for its self-funded workers' compensation program and provides information as to the profitability of that program. The net change in assets of the fund is eliminated and allocated to the governmental expenses in the government-wide financial statements.

### **General Fund Budgetary Highlights**

The District amends the budget as needed throughout the year. The final budgeted expenditures increased by \$9,106,306 primarily due to increases in plant maintenance and operations and instruction.

## Capital Assets and Long-term Liabilities

**Capital Assets.** The District's investment in capital assets for its governmental activities as of August 31, 2019 was \$182,412,773 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, and construction in progress. The increase in capital assets, net of depreciation, for the current fiscal year was \$9,642,162.

### Texas City Independent School District's Capital Assets (net of depreciation)

	Governmental Activities					
	2019		2018		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Land and improvements	\$ 5,120,256	3	\$ 5,120,256	3	\$ -	-
Buildings and improvements	153,922,863	84	158,014,584	91	(4,091,721)	(3)
Furniture and equipment	16,408,279	9	9,116,336	5	7,291,943	80
Construction in progress	6,961,375	4	519,435	1	6,441,940	1,240
<b>Totals</b>	<b>\$ 182,412,773</b>	<b>100</b>	<b>\$ 172,770,611</b>	<b>100</b>	<b>\$ 9,642,162</b>	

Major additions consisted of:

- Purchase and installation of security equipment
- Purchase of technology equipment
- Various construction and improvement projects

**Commitments.** At the end of the current fiscal year, the District's commitments with construction contractors totaled \$3,107,095.

**Long-term Liabilities.** At year-end, the District had the following long-term liabilities:

### Texas City Independent School District's Long-term Liabilities Outstanding

	Governmental Activities					
	2019		2018		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
General obligation bonds	\$ 235,995,713	75	\$ 186,372,411	75	\$ 49,623,302	27
Notes payable	1,640,000	1	2,482,939	1	(842,939)	(34)
Workers' compensation	498,359	-	387,984	-	110,375	28
Compensated absences	1,202,841	-	1,161,773	-	41,068	4
Net pension liability	34,122,953	11	21,448,971	9	12,673,982	59
Net OPEB liability	41,182,504	13	37,498,549	15	3,683,955	10
<b>Totals</b>	<b>\$ 314,642,370</b>	<b>100</b>	<b>\$ 249,352,627</b>	<b>100</b>	<b>\$ 65,289,743</b>	

The District's total bonded debt increased by \$49,623,302 (27 percent) during the current fiscal year, which resulted primarily from the issuance of \$63,875,000 of bonds.

State statutes do not limit the tax rate or amount of local tax support of school districts' bonded indebtedness. However, approval of the Attorney General of the State of Texas is required prior to the sale of bonds.

Additional information on the District's long-term debt can be found in Note 3.E. in the notes to the financial statements as indicated in the table of contents.

Additional information on the District's net pension liability can be found in Note 4.C. in the notes to the financial statements as indicated in the table of contents.

Additional information on the District's OPEB liability can be found in Note 4.D. to the financial statements as indicated in the table of contents of this report.

### **Economic Factors and Next Year's Budgets and Tax Rates**

- School year (2019-20) student enrollment is 8,781, an increase from the preceding year.
- District staff totals 1,310 employees in 2019-20, excluding substitutes and other part-time employees, of which 575 are teachers and 142 are teacher aides and secretaries.
- The District maintains thirteen regular education campuses.
- Property values of the District are projected to remain comparable for the 2019-20 year.
- A maintenance and operations tax rate of \$1.0684 and a debt service tax rate of \$0.3449, a total rate of \$1.4133 were adopted for 2019-20. Preceding year rates were \$1.17, \$0.3449 and \$1.5149, respectively.

All of these factors and others were considered in preparing the District's budget for the 2019-20 fiscal year.

During 2018-19, fund balance in the general fund increased to \$75,942,955. The District plans to utilize unassigned fund balance to fund current period expenditures prior to collecting the current year tax levy.

### **Requests for Information**

This financial report is intended to provide a general overview of the District's finances for those with an interest in this information. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District's Business Office at Texas City Independent School District, 1700 Ninth Avenue North, Texas City, Texas 77590.

# Basic Financial Statements

Texas City Independent School District  
Statement of Net Position  
August 31, 2019

Exhibit A-1

1

<u>Data Control Codes</u>		<u>Primary Government Governmental Activities</u>
<b>ASSETS</b>		
1110	Cash and cash equivalents	\$ 9,186,275
1120	Investments	207,071,835
1220	Property taxes receivables	5,020,152
1230	Allowance for uncollectible taxes	(50,000)
1240	Due from other governments	6,838,351
1290	Other receivables	1,651,032
1300	Inventories	289,369
1410	Prepaid items	1,224,238
	Capital assets:	
1510	Land	5,120,256
1520	Buildings and improvements (net)	153,922,863
1530	Furniture and equipment (net)	16,408,279
1580	Construction in progress	6,961,375
1000	Total assets	<u>413,644,025</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
1705	Deferred outflows - pension	23,579,965
1706	Deferred outflows - OPEB	3,474,216
1710	Deferred charge on refunding	3,396,772
1700	Total deferred outflows of resources	<u>30,450,953</u>
<b>LIABILITIES</b>		
2110	Accounts payable	2,033,331
2140	Interest payable	1,016,666
2150	Payroll deductions and withholdings	233,335
2160	Accrued wages payable	506,770
2180	Due to other governments	7,023,864
2300	Unearned revenue	6,990
	Noncurrent liabilities:	
2501	Due within one year	12,192,000
2502	Due in more than one year	227,144,913
2540	Net pension liabilities	34,122,953
2545	Net OPEB liability	41,182,504
2000	Total liabilities	<u>325,463,326</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
2605	Deferred inflows - pension	6,842,994
2606	Deferred inflows - OPEB	15,082,025
2610	Deferred gain on refunding	131,719
2600	Total deferred inflows of resources	<u>22,056,738</u>
<b>NET POSITION</b>		
3200	Net investment in capital assets	71,688,976
3820	Restricted for grants	996,950
3850	Restricted for debt service	12,860,542
3900	Unrestricted	11,028,446
3000	<b>TOTAL NET POSITION</b>	<u><u>\$ 96,574,914</u></u>

The Notes to the Financial Statements are an integral part of this statement.

Texas City Independent School District  
Statement of Activities  
For the Fiscal Year Ended August 31, 2019

Exhibit B-1

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Position
		Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
<b>PRIMARY GOVERNMENT</b>					
	Governmental activities				
0011	Instruction	\$ 58,179,986	\$ 473,473	\$ 12,714,279	\$ (44,992,234)
0012	Instructional resources and media services	1,059,670	60,053	51,423	(948,194)
0013	Curriculum and instructional staff development	1,339,276	-	419,807	(919,469)
0021	Instructional leadership	2,136,747	-	1,137,181	(999,566)
0023	School leadership	6,250,878	159,604	645,514	(5,445,760)
0031	Guidance, counseling, and evaluation services	3,279,718	18,576	707,863	(2,553,279)
0032	Social work services	318,655	-	134,489	(184,166)
0033	Health services	975,255	2,908	92,402	(879,945)
0034	Student transportation	2,379,778	163	225,461	(2,154,154)
0035	Food services	5,957,279	607,094	4,913,764	(436,421)
0036	Extracurricular activities	3,921,361	424,059	174,315	(3,322,987)
0041	General administration	3,531,976	13,403	305,419	(3,213,154)
0051	Plant maintenance and operations	16,244,796	19,122	5,019,731	(11,205,943)
0052	Security and monitoring services	3,177,439	-	63,681	(3,113,758)
0053	Data processing services	2,567,492	2,357	107,621	(2,457,514)
0061	Community services	350,142	12,542	267,391	(70,209)
0072	Interest on long-term debt	7,094,068	-	3,789,799	(3,304,269)
0073	Issuance costs and fees	696,371	-	-	(696,371)
0081	Facilities repair and maintenance	70,621	-	3,363	(67,258)
0091	Contracted instructional services between schools	518,451	-	-	(518,451)
0093	Payments related to shared services arrangements	292,075	-	-	(292,075)
0095	Payments to juvenile justice alternative education programs	24,145	-	-	(24,145)
0099	Other intergovernmental charges	488,798	-	-	(488,798)
TG	Total governmental activities	<u>120,854,977</u>	<u>1,793,354</u>	<u>30,773,503</u>	<u>(88,288,120)</u>
TP	<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 120,854,977</u>	<u>\$ 1,793,354</u>	<u>\$ 30,773,503</u>	<u>(88,288,120)</u>
	General revenues				
MT	Property taxes, levied for general purposes				56,856,071
DT	Property taxes, levied for debt service				16,849,910
GC	Grants and contributions not restricted to specific programs				37,729,200
IN	Insurance proceeds				2,425,716
IE	Investment earnings				4,599,911
MI	Miscellaneous				2,798,851
TR	Total general revenues				<u>121,259,659</u>
CN	Change in net position				32,971,539
NB	Net position - beginning				<u>63,603,375</u>
NE	<b>NET POSITION - ENDING</b>				<u>\$ 96,574,914</u>

The Notes to the Financial Statements are an integral part of this statement.

# Texas City Independent School District

## Balance Sheet – Governmental Funds

August 31, 2019

Data Control Codes		199	599
		General Fund	Debt Service Fund
<b>ASSETS</b>			
1110	Cash and cash equivalents	\$ 8,478,846	\$ 37,248
1120	Investments	66,836,227	12,958,653
1220	Property taxes receivables	4,134,193	885,959
1230	Allowance for uncollectible taxes	(41,000)	(9,000)
1240	Due from other governments	5,359,731	-
1260	Due from other funds	1,414,464	-
1290	Other receivables	1,625,760	-
1300	Inventories	229,614	-
1410	Prepaid items	1,208,688	-
1000	Total assets	89,246,523	13,872,860
1000a	<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 89,246,523</b>	<b>\$ 13,872,860</b>
<b>LIABILITIES</b>			
2110	Accounts payable	\$ 1,067,945	\$ -
2150	Payroll and withholdings	233,335	-
2160	Accrued wages payable	506,770	-
2170	Due to other funds	384,368	-
2180	Due to other governments	7,017,957	5,907
2300	Unearned revenue	-	-
2000	Total liabilities	9,210,375	5,907
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2600	Unavailable revenue - property taxes	4,093,193	876,959
	Total deferred inflows of resources	4,093,193	876,959
<b>FUND BALANCES</b>			
3410	Nonspendable - inventories	229,614	-
3430	Nonspendable - prepaid items	1,208,688	-
3450	Restricted - grants	-	-
3470	Restricted - capital acquisitions and contractual obligations	-	-
3480	Restricted - debt service	-	12,989,994
3545	Committed - campus activity	-	-
3550	Assigned - construction	15,000,000	-
3565	Assigned - retirement of loans/notes payable	1,671,648	-
3590	Assigned - other	17,531,512	-
3600	Unassigned	40,301,493	-
3000	Total fund balances	75,942,955	12,989,994
4000	<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 89,246,523</b>	<b>\$ 13,872,860</b>

The Notes to the Financial Statements are an integral part of this statement.

699	Total	98
Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
\$ 460,787	\$ 177,068	\$ 9,153,949
123,955,688	1,730,003	205,480,571
-	-	5,020,152
-	-	(50,000)
-	1,478,620	6,838,351
-	-	1,414,464
4,500	20,772	1,651,032
-	59,755	289,369
-	5,000	1,213,688
<u>124,420,975</u>	<u>3,471,218</u>	<u>231,011,576</u>
<u>\$ 124,420,975</u>	<u>\$ 3,471,218</u>	<u>\$ 231,011,576</u>
\$ 905,831	\$ 59,225	\$ 2,033,001
-	-	233,335
-	-	506,770
-	1,461,495	1,845,863
-	-	7,023,864
-	6,990	6,990
<u>905,831</u>	<u>1,527,710</u>	<u>11,649,823</u>
-	-	4,970,152
<u>-</u>	<u>-</u>	<u>4,970,152</u>
-	-	229,614
-	-	1,208,688
-	996,950	996,950
123,515,144	-	123,515,144
-	-	12,989,994
-	946,558	946,558
-	-	15,000,000
-	-	1,671,648
-	-	17,531,512
-	-	40,301,493
<u>123,515,144</u>	<u>1,943,508</u>	<u>214,391,601</u>
<u>\$ 124,420,975</u>	<u>\$ 3,471,218</u>	<u>\$ 231,011,576</u>

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**Texas City Independent School District**  
 Reconciliation of the Governmental Funds Balance Sheet  
 to the Statement of Net Position  
 August 31, 2019

**Exhibit C-1R**

**TOTAL FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-1)** \$ 214,391,601

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The governmental capital assets at year-end consist of:

Governmental capital assets costs	\$ 280,081,715	
Accumulated depreciation of governmental capital assets	(97,668,942)	182,412,773

Property taxes receivable, which will be collected subsequent to year-end, but are not available soon enough to pay expenditures and, therefore, are deferred in the funds. 4,970,152

Long-term liabilities, including bonds payable, notes payable, compensated absences, net pension liability, and net OPEB liability are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Liabilities at year-end related to such items consist of:

Bonds payable, at original par	\$(213,525,000)	
Premium on bonds payable	(22,470,713)	
Accrued interest on the bonds	(1,006,411)	
Notes payable	(1,640,000)	
Accrued interest on the notes	(10,255)	
Compensated absences	(1,202,841)	
Net pension liability	(34,122,953)	
Net OPEB liability	(41,182,504)	(315,160,677)

An internal service fund is used by the District to charge the costs of workers' compensation benefits to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities. 1,566,850

Deferred charge on refunding is reported as deferred outflow in the statement of net position and is not reported in the funds due to it is not a current financial resource available to pay for current expenditures. 3,396,772

Deferred gain on refunding represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. (131,719)

Deferred outflows of resources for pension represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenses/expenditures) until then. 23,579,965

Deferred inflows of resources for pension represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. (6,842,994)

Deferred outflows of resources for OPEB represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenses/expenditures) until then. 3,474,216

Deferred inflows of resources for OPEB represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. (15,082,025)

**TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES (EXHIBIT A-1)** \$ 96,574,914

The Notes to the Financial Statements are an integral part of this statement.

**Texas City Independent School District**  
Statement of Revenues, Expenditures, and Changes  
in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended August 31, 2019

Data Control Codes		199	599
		General Fund	Debt Service Fund
<b>REVENUES</b>			
5700	Local and intermediate sources	\$ 64,271,622	\$ 17,302,769
5800	State program revenues	38,914,868	3,789,799
5900	Federal program revenues	7,185,381	-
5020	Total revenues	110,371,871	21,092,568
<b>EXPENDITURES</b>			
Current:			
0011	Instruction	41,250,006	-
0012	Instructional resources and media services	894,708	-
0013	Curriculum and instructional staff development	827,696	-
0021	Instructional leadership	760,669	-
0023	School leadership	5,015,176	-
0031	Guidance, counseling, and evaluation services	2,322,566	-
0032	Social work services	155,069	-
0033	Health services	819,059	-
0034	Student transportation	2,121,512	-
0035	Food services	-	-
0036	Extracurricular activities	3,374,695	-
0041	General administration	3,144,979	-
0051	Plant maintenance and operations	17,605,818	-
0052	Security and monitoring services	3,332,434	-
0053	Data processing services	2,359,917	-
0061	Community services	29,493	-
Debt service:			
0071	Principal on long-term debt	842,939	11,165,000
0072	Interest on long-term debt	22,776	7,507,653
0073	Issuance costs and fees	400	695,971
Capital outlay:			
0081	Facilities acquisition and construction	70,705	-
Intergovernmental:			
0091	Contracted instructional services between schools	518,451	-
0093	Payments related shares services arrangements	292,075	-
0095	Payments to juvenile justice alternative education programs	24,145	-
0099	Other intergovernmental charges	488,798	-
6030	Total expenditures	86,274,086	19,368,624
1100	Excess (deficiency) of revenues over expenditures	24,097,785	1,723,944
<b>OTHER FINANCING SOURCES (USES)</b>			
7901	Refunding bonds issued	-	2,300,000
7911	Capital-related debt issued (regular bonds)	-	-
7916	Premium or discount on issuance of bonds	-	9,867,817
8940	Payment to bond refunding escrow agent	-	(11,737,455)
7080	Total other financing sources (uses)	-	430,362
1200	Net change in fund balances	24,097,785	2,154,306
0100	Fund balances - beginning	51,845,170	10,835,688
3000	<b>FUND BALANCES - ENDING</b>	<b>\$ 75,942,955</b>	<b>\$ 12,989,994</b>

The Notes to the Financial Statements are an integral part of this statement.

699	Total	98
Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
\$ 2,038,078	\$ 1,668,597	\$ 85,281,066
-	1,546,323	44,250,990
-	14,101,455	21,286,836
2,038,078	17,316,375	150,818,892
-	9,116,390	50,366,396
-	61,672	956,380
-	329,627	1,157,323
-	901,477	1,662,146
-	383,078	5,398,254
-	498,920	2,821,486
-	105,891	260,960
-	36,946	856,005
-	94,816	2,216,328
-	5,257,694	5,257,694
-	310,852	3,685,547
-	13,764	3,158,743
1,563,447	16,014	19,185,279
5,350,216	2,900	8,685,550
2,200,426	2,421	4,562,764
-	240,148	269,641
-	-	12,007,939
-	-	7,530,429
-	-	696,371
4,885,063	-	4,955,768
-	-	518,451
-	-	292,075
-	-	24,145
-	-	488,798
13,999,152	17,372,610	137,014,472
(11,961,074)	(56,235)	13,804,420
-	-	2,300,000
61,575,000	-	61,575,000
-	-	9,867,817
-	-	(11,737,455)
61,575,000	-	62,005,362
49,613,926	(56,235)	75,809,782
73,901,218	1,999,743	138,581,819
<u>\$ 123,515,144</u>	<u>\$ 1,943,508</u>	<u>\$ 214,391,601</u>

**Texas City 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 Fiscal Year Ended August 31, 2019

**Exhibit C-3**

**TOTAL NET CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-2)** \$ 75,809,782

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital assets increased	\$ 16,629,149	
Depreciation expense	(6,986,987)	9,642,162

Because some property taxes will not be collected for several months after the District's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased (decreased) by this amount this year. 222,127

Issuance of bonds provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.

Par value	\$ (63,875,000)	
(Premium) discount	(9,867,817)	(73,742,817)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 11,165,000

Payment to escrow agent to refund bonds from refunding proceeds. 11,737,455

Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 842,939

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The increase (decrease) in interest reported in the statement of activities consist of the following:

Accrued interest on current interest bonds payable <i>(increased) decreased</i>	\$ (297,146)	
Accrued interest on notes payable <i>(increased) decreased</i>	4,050	
Amortization of bond premium and discount	1,080,580	
Amortization of defeasance costs	(351,123)	436,361

The (increase) decrease in compensated absences is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. (41,068)

An internal service fund is used by the District to charge the costs of workers' compensation benefits to the individual funds. The net activity of the internal service fund was reported in the government-wide statements. 47,065

The net change in net pension liability, deferred outflows, and deferred inflows is reported in the statement of activities but does not require the use of current financial resources and, therefore, funds. The net change consists of the following:

Deferred outflows increased (decreased)	\$ 9,081,453	
Deferred inflows (increased) decreased	626,504	
Net pension liability (increased) decreased	(12,673,982)	(2,966,025)

The net change in net OPEB liability, deferred outflows, and deferred inflows is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following:

Deferred outflows increased (decreased)	\$ 2,898,824	
Deferred inflows (increased) decreased	603,689	
Net OPEB liability (increased) decreased	(3,683,955)	(181,442)

**CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES (EXHIBIT B-1)** \$ 32,971,539

The Notes to the Financial Statements are an integral part of this statement.

Texas City Independent School District  
Statement of Net Position  
Proprietary Fund  
August 31, 2019

Exhibit D-1

<u>Data Control Codes</u>		<u>Governmental Activities Internal Service Fund</u>
	<b>ASSETS</b>	
	Current assets:	
1110	Cash and cash equivalents	\$ 32,326
1120	Investments	1,591,264
1260	Due from other funds	431,399
1410	Prepaid items	10,550
	Total current assets	<u>2,065,539</u>
1000	Total assets	2,065,539
	<b>LIABILITIES</b>	
	Current liabilities:	
2110	Accounts payable	330
2123	Claims payable - due within one year	140,000
	Total current liabilities	<u>140,330</u>
	Noncurrent liabilities:	
2590	Claims payable - due in more than one year	358,359
	Total noncurrent liabilities	<u>358,359</u>
2000	Total liabilities	498,689
	<b>NET POSITION</b>	
3900	Unrestricted	<u>1,566,850</u>
3000	<b>TOTAL NET POSITION</b>	<u><u>\$ 1,566,850</u></u>

The Notes to the Financial Statements are an integral part of this statement.

**Texas City Independent School District**  
Statement of Revenues, Expenses, and Changes  
in Net Position  
Proprietary Fund  
For the Fiscal Year Ended August 31, 2019

**Exhibit D-2**

<u>Data Control Codes</u>		<u>Governmental Activities Internal Service Fund</u>
	<b>OPERATING REVENUES</b>	
5754	Interfund service provided	\$ 431,398
5020	Total operating revenues	431,398
	<b>OPERATING EXPENSES</b>	
6200	Professional and contracted services	33,449
6400	Other operating costs	392,044
6030	Total operating expenses	425,493
1100	Operating income (loss)	5,905
	<b>NONOPERATING REVENUES</b>	
7955	Investment earnings	41,160
8030	Total nonoperating revenues	41,160
1300	Change in net position	47,065
0100	Net position - beginning	1,519,785
3300	<b>NET POSITION - ENDING</b>	<u>\$ 1,566,850</u>

The Notes to the Financial Statements are an integral part of this statement.

Texas City Independent School District  
Statement of Cash Flows  
Proprietary Fund  
For the Fiscal Year Ended August 31, 2019

Exhibit D-3

	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from District	\$ 88,601
Cash payments for claims, net of stop loss reimbursements	(290,723)
Cash payments for contracted services and supplies and materials	19,128
	<hr/>
Net cash used by operating activities	(182,994)
	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends received on investments	41,160
Purchase of investments	150,316
	<hr/>
Net cash provided by investing activities	191,476
	<hr/>
Net increase (decrease) in cash and cash equivalents	8,482
Cash and cash equivalents at beginning of year	23,844
	<hr/>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>\$ 32,326</b>
	<hr/> <hr/>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating income (loss)	\$ 5,905
Change in assets and liabilities:	
(Increase) decrease in due from other funds	(341,375)
(Increase) decrease in prepaid items	52,577
Increase (decrease) in due to other funds	(1,422)
Increase (decrease) in accounts payable	(9,054)
Increase (decrease) in claims payable	110,375
	<hr/>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>\$ (182,994)</b>
	<hr/> <hr/>

The Notes to the Financial Statements are an integral part of this statement.

Texas City Independent School District  
Statement of Net Position  
Fiduciary Funds  
August 31, 2019

Exhibit E-1

865

Data Control Codes		Private Purpose Trust Funds	Agency Fund
	<b>ASSETS</b>		
	Current assets:		
1110	Cash and cash equivalents	\$ 142,659	\$ 89,622
1120	Investments	-	72,793
		<hr/>	<hr/>
1000	<b>TOTAL ASSETS</b>	142,659	<u>\$ 162,415</u>
	<b>LIABILITIES</b>		
	Current liabilities:		
2110	Accounts payable	-	\$ 4,070
2190	Due to student groups	-	158,345
		<hr/>	<hr/>
2000	<b>TOTAL LIABILITIES</b>	-	<u>\$ 162,415</u>
	<b>NET POSITION</b>		
3900	Unrestricted	<hr/> 142,659	
3000	<b>TOTAL NET POSITION</b>	<u>\$ 142,659</u>	

The Notes to the Financial Statements are an integral part of this statement.

**Texas City Independent School District**  
Statement of Changes in Net Position  
Fiduciary Funds  
For the Fiscal Year Ended August 31, 2019

**Exhibit E-2**

<u>Data Control Codes</u>		<u>Private Purpose Trust Funds</u>
	<b>ADDITIONS</b>	
5700	Local and intermediate sources	\$ 10,785
	Total additions	10,785
	<b>DEDUCTIONS</b>	
6200	Professional and contracted services	16,000
	Total deductions	16,000
	Change in net position	(5,215)
	Net position beginning	147,874
	<b>NET POSITION - ENDING</b>	<b>\$ 142,659</b>

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# Texas City Independent School District

## Notes to the Financial Statements

### Note 1. Summary of Significant Accounting Policies

#### A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government (the District). All fiduciary activities are reported only in the fund financial statements. *Governmental activities* normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions.

#### B. Reporting Entity

The Texas City Independent School District (the District) is governed by a seven-member board of trustees (the Board), which has governance responsibilities over all activities related to public, elementary and secondary, education within the District. Members of the Board are elected by the public; have authority to make decisions; appoint management and significantly influence operations; and have primary accountability for fiscal matters; the District is not included in any other governmental reporting entity. The accompanying financial statements present the District.

#### C. Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and an internal service fund. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

#### D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those accounted for in another fund.

The *debt service fund* is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

The *capital projects fund* accounts for the acquisition, construction, and equipping the District's major capital facilities, other than those financed by proprietary funds.

## Texas City Independent School District

### Notes to the Financial Statements

Additionally, the District reports the following fund types:

The *internal service fund* accounts for workers' compensation claims and administrative expenses provided for other funds of the District on a cost reimbursement basis.

*Private purpose trust funds* are used to account for resources legally held in trust under which principal and income benefit individuals, private organizations or other governments. The District's private-purpose trust funds represent scholarship funds being held in trust for students.

The *agency fund* accounts for assets held by the District for student organizations. The fund is custodial in nature (assets equal liabilities) and does not involve measurement or results of operations.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated.

#### **E. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers property tax revenues to be available when collected and all other revenues within 120 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to pension liability, OPEB liability, compensated absences, and claims and judgments, are recorded only when payment is due.

## Texas City Independent School District

### Notes to the Financial Statements

Grant and similar revenues, revenues received from the State of Texas, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

#### **F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

##### **1. Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand and bank demand deposits with original maturities of three months or less from the date of acquisition.

##### **2. Investments**

Investments for the District, except for certificates of deposits and certain investment pools, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost or fair value. Certificates of deposit that are non-negotiable are reported at cost; whereas, brokered certificates of deposit are reported at fair value.

##### **3. Inventories and Prepaid Items**

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

##### **4. Capital Assets**

Capital assets, which include land, construction in progress, buildings and improvements, and furniture and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. The District's infrastructure includes parking lots and sidewalks associated with various buildings. The cost of the infrastructure was initially capitalized with the building cost and is being depreciated over the same useful life as the building. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000, and an estimated useful life in excess of two years.

As the District constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

# Texas City Independent School District

## Notes to the Financial Statements

Land and construction in progress are not depreciated. The buildings and improvements and furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Capital Asset Classes</u>	<u>Lives</u>
Buildings and improvements	8-60
Furniture and equipment	5-20

### **5. *Deferred Outflows/Inflows of Resources***

Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then. Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension and OPEB activities are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and OPEB plan, except for projected and actual earnings differences on investments which are amortized on a closed basis over a 5-year period.
- District contributions to the pension and OPEB plans after the measurement date of each plan are recognized in the subsequent fiscal year.
- Deferred charge/gain on refunding is amortized over the shorter of the life of the refunded or refunding debt.
- Property taxes are recognized in the period the amount becomes available.

### **6. *Compensated Absences***

The District's policy permits employees to accumulate earned but unused local leave benefits. Payment for unused local leave days accumulated locally will be made upon separation from the District for employees employed fifteen or more years by the District. All local leave is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have met the District's or State's eligibility requirements.

### **7. *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.

## Texas City Independent School District

### Notes to the Financial Statements

#### **8. 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. The general fund is the only fund that reports a positive unassigned fund balance.

#### **9. Fund Balance Policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The board of trustees (the Board) is the highest level of decision-making authority for the District that can, by board action or adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the board action or resolution remains in place until a similar action is taken (the board action or adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board has, by policy, authorized the superintendent or designee to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

#### **10. Pension**

The fiduciary net position of the Teacher Retirement System of Texas (TRS) Pension 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 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 Pension Plan 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.

## Texas City Independent School District

### Notes to the Financial Statements

#### **11. Other Postemployment 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 postemployment 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.

#### **G. Revenues and Expenditures/Expenses**

##### **1. Program Revenues**

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

##### **2. Property Taxes**

Property values are determined by the County Central Appraisal District as of January 1 of each year. Prior to September 1 of each year, the District must adopt its annual budget and as soon thereafter as practicable, shall adopt a tax rate thus creating the tax levy. Property taxes for the current calendar year are levied on approximately October 1 of each year and are payable by January 31 of the following year. Property tax receivables are recorded as of the date levied. Unpaid taxes become delinquent on February 1 and a tax lien on real property is created as of July 1 of each year.

##### **3. Proprietary Funds Operating and Nonoperating Revenues and Expenses**

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are interfund services provided. Operating expenses for the internal service fund include payroll costs, professional and contracted services and other operating costs. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### **H. Use of Estimates**

The presentation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

#### **I. Data Control Codes**

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

# Texas City Independent School District

## Notes to the Financial Statements

### Note 2. Stewardship, Compliance, and Accountability

#### A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, *National School Breakfast/Lunch Program* special revenue fund, and debt service fund. All annual appropriations lapse at fiscal year end. The following procedures are followed in establishing the budgetary data reflected in the financial statements.

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

The appropriated budget is prepared by fund, function, and campus/department. The District's campus/department heads may make transfers of appropriations within a department. Transfers of appropriations between campus/departments require the approval of the District's management. Transfers of appropriations between functions require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level within a fund.

#### B. Encumbrances

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as restricted, committed, or assigned fund balances as appropriate. The encumbrances do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

As of August 31, 2019, significant encumbrances included in governmental fund balances are as follows:

	<u>Restricted Fund Balance</u>	<u>Assigned Fund Balance</u>
General fund	\$ -	\$ 231,512
Capital projects fund	12,247,228	-
<b>Total encumbrances</b>	<b><u>\$ 12,247,228</u></b>	<b><u>\$ 231,512</u></b>

### Note 3. Detailed Notes on All Funds

#### A. Deposits and Investments

##### Cash Deposits

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas School Depository Act. The depository bank pledges securities which comply with state law and these securities are held for safekeeping and trust with the District's and the depository banks' agent bank. The pledged securities shall be 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.

# Texas City Independent School District

## Notes to the Financial Statements

### Investments

The District's investment policy is in accordance with the Public Funds Investment Act, the Public Funds Collateral Act, and federal and state laws. State law and District policy limits credit risk by allowing investing in 1) Obligations of the United States or its agencies which are backed by the full faith and credit of the United States, obligations of the State of Texas or its agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized statistical rating organization (NRSRO) not less than A or its equivalent; 2) Certificates of deposit issued by a broker or depository located in Texas which is insured by the FDIC or purchased through a broker who has an office located in Texas; 3) Fully collateralized repurchase agreements secured by obligations of the United States or its agencies not to exceed 90 days to maturity from the date of purchase; 4) Securities lending program as permitted by Government Code 2256.0015; 5) Bankers acceptances with a stated maturity of 270 days or fewer which are eligible for collateral for borrowing from a Federal Reserve Bank; 6) Commercial paper if it has a stated maturity of 270 days or fewer from the date of its issuance and is rated not less than A-1 or P-1 or an equivalent rating by at least: two nationally recognized credit rating agencies or one nationally recognized agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state; 7) No-load money market mutual funds which shall be registered with the Securities and Exchange Commission and have a dollar-weighted average stated maturity of 90 days or fewer; 8) No-load mutual funds which shall be registered with the Securities and Exchange Commission, have an average weighted maturity of less than two years, include investments that comply with the Public Funds Investment Act and are continuously rated not less than AAA by at least one NRSRO; 9) A guaranteed investment contract (for bond proceeds only) which meets the criteria and eligibility requirements established by the Public Funds Investment Act; 10) Public funds investment pools which meet the requirements of the Public Funds Investment Act.

The District's investment balances and weighted average maturity of such investments are as follows:

	Governmental and Proprietary Funds	Fiduciary Funds	Fair Value Measurements Using Significant Other Observable Inputs (Level 2)	Percent of Total Investments	Weighted Average Maturity (Days)	Credit Risk
Investment measured at cost, not subject to level reporting: Certificates of deposit	\$ 32,716,858	\$ -	\$ -	16%	469	Not rated**
Investment measured at amortized cost, not subject to level reporting: Investment pool:						
TexPool Prime	132,128,033	-	-	64%	31	AAAm*
TexPool	20,594,191	72,793	-	10%	38	AAAm*
Investments measured at fair value, not subject to level reporting: Money market mutual fund	4,944,611	-	-	2%	16	AAAm
Investment measured at fair value, subject to level report:						
U.S. government agencies	15,197,468	-	15,197,468	7%	146	Aaa*
Certificates of deposit	1,490,674	-	1,490,674	1%	354	Not rated**
<b>Total value</b>	<b>\$ 207,071,835</b>	<b>\$ 72,793</b>	<b>\$ 16,688,142</b>	<b>99%</b>		
<b>Portfolio weighted average maturity</b>					<b>111</b>	

\* Standard & Poor's or Moody's Rating

\*\* Certificates of deposit is collateralized and/or insured.

## Texas City Independent School District

### Notes to the Financial Statements

*Certificates of deposit* that are non-negotiable are reported at cost and are not subject to the fair value hierarchy reporting.

*Investment pool* is measured at amortized cost. Such investment is not subject to the fair value hierarchy reporting.

*Money Market mutual fund* is measured at fair value, i.e. the net asset value. Such investment is not subject to the fair value hierarchy reporting.

*U.S. Government Agency Securities* and brokered certificates of deposit are classified in Level 2 of the fair value hierarchy are valued using maturity pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

The TexPool investment pools are external investment pools measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, the investment pools must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity and diversification requirements within the investment pool. The investment pools transacts at a net asset value of \$1.00 per share, have weighted average maturity of 60 days or less and weighted average life of 120 days or less, investments held that are highly rated by nationally recognized statistical rating organization, have no more than 5% of portfolio with one issuer (excluding US government securities), and can meet reasonably foreseeable redemptions. TexPool has a redemption notice period of one day and no maximum transaction amounts. The investment pools authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pool's liquidity.

The TexPool investment pools are duly chartered and overseen by the State Comptroller's Office, administered and managed by Federated Investors, Inc. State Street Bank serves as the custodial bank. The portfolio consists of U.S. Government securities; collateralized repurchase and reverse repurchase agreements; AAA rated money market mutual funds; commercial paper and certificates of deposit.

#### **Credit Risk**

At year end, the District's investments were rated as noted in the table above. The District also invests in certificates of deposits which are insured or collateralized. The District invests in a mutual fund which investments consist primarily of cash and government agencies.

#### **Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The District monitors interest rate risk utilizing weighted average maturity analysis and specific identification. In accordance with its investment policy, the District reduces its exposure to declines in fair values by limiting the weighted average maturity of any internally created pool to no more than 180 days, and any other individual investment not to exceed three years from the time of purchase, unless specifically authorized by the Board of Trustees.

#### **Concentration of Credit Risk**

The District's investment policy does not limit an investment in any one issuer. The investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specific issuer.

# Texas City Independent School District

## Notes to the Financial Statements

### Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. As of August 31, 2019, District’s banks’ balances of \$11,430,944 were not exposed to custodial credit risk because such balances were insured and collateralized with securities held by the District’s agent in the District’s name.

### Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. District policy requires investments to be in the District’s name or held by the District’s agent in the District’s name. The District is not exposed to custodial risk due to the investments are in the District’s name or held by the District’s agent in the District’s name.

### B. Receivables

Tax revenues of the general and debt service fund are reported net of estimated uncollectible amounts. Total change in uncollectible amounts related to revenues of the current period increased (decreased) revenues as follows:

Change in uncollectibles related to general fund property taxes	\$ -
Change in uncollectibles related to debt service property taxes	<u>(2,000)</u>
<b>Total change in uncollectibles of the current fiscal year</b>	<u><u>\$ (2,000)</u></u>

Approximately 78% of the outstanding balance of property taxes receivable is not anticipated to be collected within the next year.

A concentration of risk exists for local revenue sources since approximately 22% of the District’s taxable property value is attributed to one taxpayer. Similarly, the District’s ten largest taxpayers approximate 50% of the total taxable value of the District.

### C. Interfund Receivables, Payables, and Transfers

#### Receivables/Payables

The composition of interfund balances as of August 31, 2019, is as follows:

Funds	Interfund Receivables	Interfund Payables
Governmental funds:		
General fund	\$ 1,414,464	\$ (384,368)
Other governmental funds - nonmajor	-	(1,461,495)
Proprietary fund:		
Internal service fund	<u>431,399</u>	<u>-</u>
<b>Totals</b>	<u><u>\$ 1,845,863</u></u>	<u><u>\$ (1,845,863)</u></u>

Interfund balances consist of short-term lending/borrowing arrangements that generally result from payroll and other regularly occurring charges that are primarily paid by one fund and then charged back to the appropriate other fund. Additionally, some lending/borrowing may occur between two or more nonmajor governmental funds.

**Texas City Independent School District**  
Notes to the Financial Statements

**D. Capital Assets**

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

	Beginning Balance	Additions	Retirements, Transfers, and Adjustments	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 5,120,256	\$ -	\$ -	\$ 5,120,256
Construction in progress	519,435	6,441,940	-	6,961,375
<b>Total capital assets, not being depreciated</b>	<b>5,639,691</b>	<b>6,441,940</b>	<b>-</b>	<b>12,081,631</b>
Capital assets, being depreciated:				
Buildings and improvements	238,042,814	690,430	-	238,733,244
Furniture and equipment	19,770,061	9,496,779	-	29,266,840
<b>Total capital assets, being depreciated</b>	<b>257,812,875</b>	<b>10,187,209</b>	<b>-</b>	<b>268,000,084</b>
Less accumulated depreciation for:				
Buildings and improvements	(80,028,230)	(4,782,151)	-	(84,810,381)
Furniture and equipment	(10,653,725)	(2,204,836)	-	(12,858,561)
<b>Total accumulated depreciation</b>	<b>(90,681,955)</b>	<b>(6,986,987)</b>	<b>-</b>	<b>(97,668,942)</b>
<b>Total capital assets, being depreciated, net</b>	<b>167,130,920</b>	<b>3,200,222</b>	<b>-</b>	<b>170,331,142</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 172,770,611</b>	<b>\$ 9,642,162</b>	<b>\$ -</b>	<b>\$ 182,412,773</b>

Depreciation expense was charged to functions/programs of the District as follows:

Governmental activities:	
11 Instruction	\$ 4,249,873
12 Instructional resources and media services	76,906
13 Curriculum and instructional staff development	79,097
21 Instructional leadership	155,973
23 School leadership	494,133
31 Guidance, counseling, and evaluation services	232,892
32 Social work services	22,684
33 Health services	76,596
34 Student transportation	231,318
35 Food services	211,936
36 Extracurricular activities	179,440
41 General administration	226,407
51 Plant maintenance and operations	528,689
52 Security and monitoring services	101,525
53 Data processing services	98,560
61 Community services	20,958
<b>Total depreciation expense-governmental activities</b>	<b>\$ 6,986,987</b>

## Texas City Independent School District

### Notes to the Financial Statements

#### Construction Commitments

The District has active construction projects as of August 31, 2019. The projects include the construction and equipment of school facilities. At year end, the District's commitments with contractors are as follows:

Project	Remaining Commitment
Parking Lot Projects - Districtwide	\$ 3,107,095
<b>Total</b>	<b>\$ 3,107,095</b>

The commitment for construction and equipment of school facilities is being financed by general obligation bonds secured by tax revenues and local funds.

#### E. Long-term Liabilities

The District's long-term liabilities consist of bond indebtedness, note payable, workers' compensation, compensated absences, and net pension and net OPEB liability. The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund. The current requirements for workers' compensation claims are accounted for in the internal service fund. Other long-term liabilities are generally liquidated with resources of the general fund.

#### Changes in Long-term Liabilities

Long-term liability activity for the fiscal year ended August 31, 2019, was as follows:

	Beginning Balance	Additions (Adjustments)	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 172,340,000	\$ 63,875,000	\$ (22,690,000)	\$ 213,525,000	\$ 11,085,000
Issuance premiums (CIB's)	14,032,411	9,867,817	(1,429,515)	22,470,713	-
Total bonds payable	186,372,411	73,742,817	(24,119,515)	235,995,713	11,085,000
Notes payable	2,482,939	-	(842,939)	1,640,000	815,000
Workers' compensation	387,984	345,407	(235,032)	498,359	140,000
Compensated absences	1,161,773	113,626	(72,558)	1,202,841	152,000
Net pension liability	21,448,971	16,154,284	(3,480,302)	34,122,953	-
Net OPEB liability	37,498,549	5,629,838	(1,945,883)	41,182,504	-
<b>Governmental activities long-term liabilities</b>	<b>\$ 249,352,627</b>	<b>\$ 95,985,972</b>	<b>\$ (30,696,229)</b>	<b>\$ 314,642,370</b>	<b>\$ 12,192,000</b>

The internal service fund predominantly serves the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities.

# Texas City Independent School District

## Notes to the Financial Statements

### General Obligation Bonds

The District issues general obligation bonds to provide funds for the construction and equipment of school buildings (BLDG) and to refund general obligation bonds (REF). General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds are issued as current interest (CIB) with various amounts of principal maturing each year or term bonds. Rates may be fixed or variable.

The following is a summary of changes in the general obligation bonds for the fiscal year:

Series	Interest Rate	Original Issue	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance
2003 BLDG & REF	4.38-5.38%	\$ 20,720,000	8/31/2015	\$ 220,000	\$ -	\$ (220,000)	\$ -
2009 BLDG	3.50-5.00%	28,910,000	8/15/2030	12,760,000	-	(12,760,000)	-
2010A BLDG	2.00-5.00%	25,810,000	8/15/2030	18,750,000	-	(1,200,000)	17,550,000
2011 BLDG	2.00-4.00%	8,845,000	8/15/2030	5,960,000	-	(410,000)	5,550,000
2011 REF	2.00-5.00%	19,410,000	2/15/2025	14,785,000	-	(1,810,000)	12,975,000
2015 REF	2.00-5.00%	44,050,000	8/15/2030	40,965,000	-	(2,770,000)	38,195,000
2017 REF	3.00-4.00%	8,900,000	8/15/2030	8,900,000	-	-	8,900,000
2018 BLDG	3.50-5.00%	70,000,000	8/15/2048	70,000,000	-	(3,520,000)	66,480,000
2019 BLDG & REF	3.125-5.00%	63,875,000	8/15/2049	-	63,875,000	-	63,875,000
<b>Totals</b>				<u>\$ 172,340,000</u>	<u>\$ 63,875,000</u>	<u>\$ (22,690,000)</u>	<u>\$ 213,525,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending August 31,	Principal	Interest	Total Requirements
2020	\$ 11,085,000	\$ 9,934,760	\$ 21,019,760
2021	11,650,000	8,858,381	20,508,381
2022	12,210,000	8,282,206	20,492,206
2023	13,375,000	7,765,056	21,140,056
2024	13,955,000	7,129,606	21,084,606
2025	14,125,000	6,433,281	20,558,281
2026	12,200,000	5,793,156	17,993,156
2027	12,560,000	5,194,056	17,754,056
2028	12,920,000	4,593,855	17,513,855
2029	11,590,000	3,984,206	15,574,206
2030	11,985,000	3,535,707	15,520,707
2031	5,460,000	3,071,406	8,531,406
2032	4,860,000	2,798,406	7,658,406
2033	5,150,000	2,555,406	7,705,406
2034	5,340,000	2,335,906	7,675,906
2035	3,010,000	2,107,907	5,117,907
2036	3,125,000	1,987,506	5,112,506
2037	3,250,000	1,862,507	5,112,507
2038	3,375,000	1,732,505	5,107,505
2039	3,515,000	1,597,507	5,112,507
2040	3,655,000	1,469,557	5,124,557
2041	3,795,000	1,345,476	5,140,476
2042	3,940,000	1,213,182	5,153,182
2043	3,920,000	1,075,806	4,995,806
2044	4,075,000	928,850	5,003,850
2045	4,230,000	776,000	5,006,000
2046	4,405,000	606,800	5,011,800
2047	4,595,000	430,600	5,025,600
2048	4,770,000	246,800	5,016,800
2049	1,400,000	56,000	1,456,000
<b>Totals</b>	<u>\$ 213,525,000</u>	<u>\$ 99,702,397</u>	<u>\$ 313,227,397</u>

## Texas City Independent School District

### Notes to the Financial Statements

As of August 31, 2019, the District had authorized but unissued bonds in the amount \$2,225,000.

In prior and current fiscal years, the District defeased certain bonds through the issuance of new bonds and placed the proceeds in an irrevocable trust to provide for all future debt service payments of the old bonds. Securities being utilized to repay the refinanced debt as it becomes due consist solely of U.S. government obligations. Accordingly, the trust account securities and the liability for the defeased bonds are not included in the Districts basic financial statements. At August 31, 2019, the District had no outstanding defeased bonds.

In June 2019, the District issued \$63,875,000 of unlimited tax school building and refunding bonds. The proceeds of the refunding bonds were used to legally defease \$11,525,000 of previously issued District bonds in order to lower its overall debt services requirements. The net carrying value of the old debt exceeded the reacquisition price by \$136,480. The amount is netted against the new debt and amortized over the life of the new debt. The refunding resulted in a debt service savings of \$1,176,730, a present value savings of \$1,336,050.

#### Note Payable

In 2016, the District issued a maintenance tax note to provide funds for (i) acquiring school buses, (ii) purchasing personal property, (iii) making various capital improvements and renovations to existing District facilities, and (iv) payment of professional services including attorneys, financial advisors, other professionals and fiscal agents relating to the aforementioned projects. The maintenance tax note is secured by the proceeds of a continuing, direct annual ad valorem tax levied for maintenance purposes by the District.

The District also makes payments for a note with the State Energy Conservation Office which funded energy efficiency programs in the prior years.

The following is a summary of changes in the maintenance tax note and loan payable during the fiscal year:

Description	Interest Rate	Original Issue	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance
2016 Maintenance Tax Note	0.75%-1.35%	\$ 4,050,000	3/1/2021	\$ 2,450,000	\$ -	\$ (810,000)	\$ 1,640,000
2012 SECO Note	2.00%	1,450,752	2/28/2019	32,939	-	(32,939)	-
<b>Totals</b>				<b>\$ 2,482,939</b>	<b>\$ -</b>	<b>\$ (842,939)</b>	<b>\$ 1,640,000</b>

Requirements for notes payable are as follows:

Year Ending August 31,	Principal	Interest	Total Requirements
2020	\$ 815,000	\$ 20,510	\$ 835,510
2021	825,000	11,138	836,138
<b>Totals</b>	<b>\$ 1,640,000</b>	<b>\$ 31,648</b>	<b>\$ 1,671,648</b>

# Texas City Independent School District

## Notes to the Financial Statements

### F. Fund Balance

Other assigned fund balance includes the following assignments of funds:

General fund - catastrophic events	\$ 14,000,000
General fund - campus activity	1,300,000
General fund -property value lawsuits/settlements	2,000,000
General fund - purchases on order	<u>231,512</u>
<b>Total other assigned fund balance</b>	<b><u><u>\$ 17,531,512</u></u></b>

### G. Revenues from Local and Intermediate Sources

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

	General	Debt Service	Capital Projects	Nonmajor Funds	Totals
Property taxes	\$ 56,818,475	\$ 16,665,379	\$ -	\$ -	\$ 73,483,854
Investment earnings	1,956,422	637,390	1,944,086	20,853	4,558,751
Food service	-	-	-	607,094	607,094
Extracurricular student activities	130,612	-	-	1,040,650	1,171,262
Foreign trade zone tax equivalency payment	2,705,321	-	-	-	2,705,321
Other	<u>2,660,792</u>	<u>-</u>	<u>93,992</u>	<u>-</u>	<u>2,754,784</u>
<b>Totals</b>	<b><u><u>\$ 64,271,622</u></u></b>	<b><u><u>\$ 17,302,769</u></u></b>	<b><u><u>\$ 2,038,078</u></u></b>	<b><u><u>\$ 1,668,597</u></u></b>	<b><u><u>\$ 85,281,066</u></u></b>

### Note 4. Other Information

#### A. Risk Management

##### Property/Liability

The District is exposed to various risks of loss related to property/liability losses and tax-assessor bond for which the District carries commercial insurance. In addition, the District participates in the Texas Association of School Boards Risk Management Fund (Fund) for employees and officials legal liability and vehicle coverage. The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund's membership, obtain competitive costs for coverages and develop a comprehensive loss control program. The District pays an annual premium to the Fund for its liability coverage and transfers the risk of loss to the Fund. The District's agreement with the Fund provides that the Fund will be self-sustaining through member premiums and may provide, through commercial companies, reinsurance contracts. In the event that the Fund was to discontinue operations, the member districts would be responsible for any eligible claims not funded by the Fund. In addition, 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.

# Texas City Independent School District

## Notes to the Financial Statements

### Health Care Coverage

During the year ended August 31, 2019, employees of the District were covered by TRS-Active Care (the Plan) a statewide health coverage program for Texas public education employees, implemented by the Teacher Retirement System of Texas (TRS). The District paid premiums of \$177 per month, per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to the TRS. The legislature created the Plan for public school employee group health coverage in 2002-03, requiring all Districts with fewer than 500 employees to participate in the Plan.

### Workers' Compensation

During the year ended August 31, 2019, employees of the Texas City Independent School District were provided workers' compensation benefits which were self-funded from accumulated assets provided directly by the District, the plan sponsor. The District is solely responsible for the cost of all claims, both reported and unreported. All claims were submitted, processed, and approved by a third party administrator acting as an agent for the District. The plan was documented by contractual agreement. The District was protected against unanticipated, catastrophic individual or aggregate loss by stop-loss coverage carried through Midwest Employers Casualty Company, which limited annual claims paid from the Plan for the fiscal year ended August 31, 2019, to \$350,000 per occurrence with a maximum level of indemnity of \$5,000,000.

Premiums are paid into the internal service fund by the other funds and are available to pay claims, claim reserves, and administrative costs of the program.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities also include an estimated amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from stop-loss or subrogation, are another component of the claims liability estimate. An excess coverage insurance policy covers individual claims in excess of \$350,000 up to the statutory limits for any given claim. There were no significant reductions in insurance coverage from the prior year. Settlements have not exceeded coverages for each of the past two fiscal years. Changes in the balances of claims liabilities during the past two years are as follows:

	Year Ended 8/31/2019	Year Ended 8/31/2018
Unpaid claims, beginning of fiscal year	\$ 387,984	\$ 414,792
Incurred claims, including provision (adjustment) for IBNR	345,407	85,867
Claim payments	(235,032)	(112,675)
<b>Unpaid claims, end of fiscal year</b>	<b>\$ 498,359</b>	<b>\$ 387,984</b>

### B. Litigation and Contingencies

The District is a defendant in various lawsuits arising principally in the normal course of operations. In the opinion of the District's management, the potential losses, after insurance coverage, on all allegations, claims, and lawsuits will not have a material effect on the District's financial position, results of operations or liquidity.

## Texas City Independent School District

### Notes to the Financial Statements

The District participates in a number of federal and state financial assistance programs. Although the District's grant programs have been audited in accordance with the provisions of the Single Audit Act through August 31, 2019, these programs are subject to financial and compliance audits by the grantor agencies. The District is also subject to audit by the TEA of the attendance data upon which payments from the agency are based. These audits could result in questioned costs or refunds to be paid back to the granting agencies.

#### **C. Defined Benefit Pension Plan**

##### **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.

##### **Pension Plan Fiduciary Net Position**

Detailed information about the TRS's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at [http://www.trs.texas.gov/Pages/about\\_archive\\_cafrr.aspx](http://www.trs.texas.gov/Pages/about_archive_cafrr.aspx); by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6597.

##### **Benefits Provided**

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

##### **Contributions**

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

## Texas City Independent School District

### Notes to the Financial Statements

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 plan fiscal years 2018 and 2019 would remain the same. Rates for such plan fiscal years are as follows:

	2019	2018	2017
Member	7.7%	7.7%	7.7%
Non-employer contributing entity (state)	6.8%	6.8%	6.8%
Employers/district	6.8%	6.8%	6.8%
Employers/district OASDI	1.5%	1.5%	1.5%

The contribution amounts for the District's fiscal year 2019 are as follows:

District contributions	\$ 2,117,225
Member contributions	4,671,490
NECE on-behalf contributions (state)	2,761,024

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 GAA.

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

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

## Texas City Independent School District

### Notes to the Financial Statements

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.

#### 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 rate	7.25%
Municipal bond rate as of August 2018	3.69%. Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."
Last year ending August 31 in projection period (100 years)	2116
Inflation	2.30%
Salary increases	3.05% to 9.05% including inflation
Ad hoc postemployment 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.

# Texas City Independent School District

## Notes to the Financial Statements

### Discount Rate

The single discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.69%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on 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 TRS's target asset allocation as of August 31, 2018 are summarized below:

Asset Class	Target Allocation*	Long-term Expected Arithmetic Real Rate of Return	Expected Contribution to Long-term Portfolio Returns
Global equity:			
U.S.	18.00%	5.70%	1.04%
Non-U.S. developed	13.00%	6.90%	0.90%
Emerging markets	9.00%	8.95%	0.80%
Directional hedge funds	4.00%	3.53%	0.14%
Private equity	13.00%	10.18%	1.32%
Stable value:			
U.S. treasuries	11.00%	1.11%	0.12%
Absolute return	0.00%	0.00%	0.00%
Stable value hedge funds	4.00%	3.09%	0.12%
Cash	1.00%	(0.30%)	0.00%
Real return:			
Global inflation linked bonds	3.00%	0.70%	0.02%
Real assets	14.00%	5.21%	0.73%
Energy and natural resources	5.00%	7.48%	0.37%
Commodities	0.00%	0.00%	0.00%
Risk parity:			
Risk parity	5.00%	3.70%	0.18%
Inflation expectation			2.30%
Volatility drag**			(0.79%)
<b>Totals</b>	100.00%		7.25%

\* Target allocations are based on the FY2016 policy model

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

# Texas City Independent School District

## Notes to the Financial Statements

### Discount Rate Sensitivity Analysis

The following table presents the District's proportionate share of net pension liability for TRS calculated using the discount rate of 6.907%, as well as the District's proportionate share of the respective net pension liability if it was calculated using a discount rate that is 1% lower or 1% higher than the current rate:

1% Decrease (5.907%)	Current Discount Rate (6.907%)	1% Increase (7.907%)
\$ 51,499,718	\$ 34,122,953	\$ 20,055,431

### 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 \$34,122,953 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 are as follows:

District's proportionate share of the net pension liability	\$ 34,122,953
State's proportionate share of the net pension liability associated with the district	<u>45,031,447</u>
<b>Total</b>	<b><u>\$ 79,154,400</u></b>

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 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 0.0619939% which was a decrease of 0.0050873% 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.

## Texas City Independent School District

### Notes to the Financial Statements

For the fiscal year ended August 31, 2019, the District recognized pension expense of \$9,540,163 and revenue of \$4,456,913 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 212,694	\$ 837,243
Changes of assumptions	12,302,968	384,468
Net difference between projected and actual earnings on pension plan investments	-	647,458
Changes in proportion and differences between District contributions and proportionate share of contributions (cost-sharing plan)	8,947,078	4,973,825
District contributions paid after measurement date	2,117,225	-
<b>Totals</b>	<b>\$ 23,579,965</b>	<b>\$ 6,842,994</b>

\$2,117,225 reported as deferred outflows of resources related to pensions resulting from District contributions paid subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2020. Other amounts reported as deferred outflows of resources (deferred inflows of resources) related to pensions will be recognized in pension expense as follows:

Year Ending August 31,	
2020	\$ 3,892,516
2021	2,529,984
2022	2,161,617
2023	2,568,549
2024	2,293,632
Thereafter	1,173,448
<b>Totals</b>	<b>\$ 14,619,746</b>

#### D. Defined Other Postemployment Benefit Plan

##### 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 Postemployment 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.

# Texas City Independent School District

## Notes to the Financial Statements

### OPEB Plan Fiduciary Net Position

Detailed information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [http://www.trs.texas.gov/Pages/about\\_archive\\_cafr.aspx](http://www.trs.texas.gov/Pages/about_archive_cafr.aspx); by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6597.

### 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 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 postemployment benefit changes; including automatic cost of living adjustments.

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 Plan Premium Rates  
Effective January 1, 2018-December 31, 2018

	<u>Medicare</u>	<u>Non-medicare</u>
Retiree*	\$ 135	\$ 200
Retiree and spouse	529	689
Retiree* and children	468	408
Retiree and family	1,020	999

\* or surviving spouse

### Change of Benefit Terms since the Prior Measurement Date

The 85<sup>th</sup> Legislature, Regular Session, passed several statutory changes effective September 1, 2017 that affected TRS plans. These changes include:

- Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and 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 retirees reach 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 towards their health insurance premiums.

## Texas City Independent School District

### Notes to the Financial Statements

#### Contributions

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

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

	2019	2018	2017
Active employee	0.65%	0.65%	0.65%
Non-employer contribution entity (state)	1.25%	1.25%	1.00%
Employers/District	0.75%	0.75%	0.55%
Federal/private funding remitted by employers	1.25%	1.25%	1.00%

The contribution amounts for the District's fiscal year 2019 are as follows:

District contributions	\$ 594,237
Member contributions	394,347
NECE on-behalf contributions (state)	638,234

In addition, the State of Texas contributed \$234,071, \$187,514, and \$179,749 in 2019, 2018 and 2017, respectively, for on-behalf payments for Medicare Part D.

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$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 fiscal year 2018-19 biennium to continue to support the program. This was also received in fiscal year 2018 bringing the total appropriations received in fiscal year 2018 to \$394.6 million.

#### Actuarial Assumptions

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

The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including mortality and most of the economic assumptions used in this OPEB valuation were identical to those used in the respective TRS pension valuation.

## Texas City Independent School District

### Notes to the Financial Statements

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

The following assumptions used for members of TRS-Care are identical to the assumptions employed in the August 31, 2017 TRS annual 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	

#### Additional Actuarial Methods and Assumptions:

Valuation date	August 31, 2017, rolled forward to August 31, 2018
Actuarial cost method	Individual Entry Age Normal
Inflation	2.30%
Single Discount rate	3.69%. Sourced from fixed Income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20- Year Municipal GO AA Index" as of August 31, 2018.
Aging factors	Based on plan specific experience
Election rates	Normal Retirement: 70% participation prior to age 65 and 75% after age 65.
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected annual salary increases**	3.05% to 9.05%, including inflation
Healthcare trend rates	Initial medical trend rates of 107.74 percent and 9.00 percent for Medicare retirees and an initial medical trend rate of 6.75 percent for non-Medicare retirees. Initial prescription drug trend rate of 11.00 percent for all retirees. The first year trend increase for the Medicare Advantage (medical) premiums reflects the anticipated return of the Health Insurer Fee (HIF) in 2020.
Ad hoc postemployment benefit changes	None

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

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

# Texas City Independent School District

## Notes to the Financial Statements

### Discount Rate

A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase of 0.27% 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.

### Sensitivity of the Net OPEB Liability

#### Discount Rate

The following table presents the District’s proportionate share of net OPEB liability for TRS-Care if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.69%)

Sensitivity of the Net OPEB Liability  
to the Single Discount Rate Assumptions

1% Decrease (2.69%)	Current Discount Rate (3.69%)	1% Increase (4.69%)
\$49,021,330	\$41,182,504	\$34,981,488

#### Healthcare Cost Trend Rates

The following table presents the District’s proportionate share of net OPEB liability using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% lower or 1% higher than the assumed health-care cost trend rate:

Sensitivity of the Net OPEB Liability to  
the Healthcare Cost Trend Rate Assumptions

1% Decrease (7.5%)	Current Healthcare Cost Trend Rate (8.5%)	1% Increase (9.5%)
\$ 34,202,741	\$ 41,182,504	\$ 50,375,004

### 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 \$41,182,504 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 net OPEB liability	\$ 41,182,504
State's proportionate share of the net OPEB liability associated with the District	48,954,608
<b>Total</b>	<b>\$ 90,137,112</b>

## Texas City Independent School District

### Notes to the Financial Statements

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 employer's proportion of the net OPEB liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2017 through August 31, 2018.

At August 31, 2018 the employer's proportion of the collective net OPEB liability was 0.0824790% which was an decrease of 0.0037519% 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 OPEB liability since the prior measurement period:

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the total OPEB liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the total OPEB liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the total OPEB liability.
- The discount rate 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 made effective September 1, 2017 by the 85th Texas Legislature.

For the fiscal year August 31, 2019, the District recognized OPEB expense of \$2,556,354 and revenue of \$1,780,675 for support provided by the State.

At August 31, 2019, the District reported the District's contribution after the measurement date and its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other postemployment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 2,185,402	\$ 649,920
Changes of assumptions	687,224	12,372,980
Net difference between projected and actual earnings on OPEB investments	7,202	-
Changes in proportion and differences between District contributions and proportionate share of contributions (cost-sharing plan)	151	2,059,125
District contributions paid after measurement date	594,237	-
<b>Totals</b>	<b>\$ 3,474,216</b>	<b>\$15,082,025</b>

## Texas City Independent School District

### Notes to the Financial Statements

\$594,237 reported as deferred outflows of resources related to OPEB resulting from District contributions paid subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the fiscal year ended August 31, 2020. Other amounts reported as deferred outflows of resources (deferred inflows of resources) related to OPEB will be recognized in OPEB expense as follows:

Year Ending August 31,	
2020	\$ (1,876,976)
2021	(1,876,976)
2022	(1,876,976)
2023	(1,878,338)
2024	(1,879,117)
Thereafter	(2,813,663)
<b>Total</b>	<b><u><u>\$ (12,202,046)</u></u></b>

#### E. Nonmonetary Transactions

During 2019, the District received textbooks purchased by the State of Texas for the benefit of the District for a purchase price of \$374,176. The District receives the textbooks as part of state funding for textbook allotment. The textbooks have been recorded in the amount of \$374,176 in a special revenue fund as both state revenues and expenditures, which represents the amount of consideration given by the State of Texas.

#### F. Joint Venture-Shared Service Arrangement

##### Shared Service Arrangements:

###### *Galveston County Transforming Lives Cooperative Program*

The District participates in a shared service arrangement for the Galveston County Transforming Lives Cooperative with other school districts. The District does not account for revenues or expenditures in these programs and does not disclose them in these financial statements. The revenues and expenditures are disclosed in the financial statements of the fiscal agent, Dickinson I.S.D. The District neither has a joint ownership interest in capital assets purchased by the fiscal agent, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the shared service arrangement.

## **Required Supplementary Information**

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**Texas City Independent School District**  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Budget and Actual  
General Fund  
For the Fiscal Year Ended August 31, 2019

**Exhibit G-1**

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
<b>REVENUES:</b>					
5700	Local and intermediate sources	\$ 58,788,937	\$ 64,319,019	\$ 64,271,622	\$ (47,397)
5800	State program revenues	36,767,149	37,099,897	38,914,868	1,814,971
5900	Federal program revenues	1,730,000	6,737,055	7,185,381	448,326
5020	Total revenues	97,286,086	108,155,971	110,371,871	2,215,900
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	42,338,155	43,714,379	41,250,006	2,464,373
0012	Instructional resources and media services	1,109,257	1,116,417	894,708	221,709
0013	Curriculum and instructional staff development	987,294	1,030,864	827,696	203,168
0021	Instructional leadership	959,472	1,016,753	760,669	256,084
0023	School leadership	5,507,237	5,654,105	5,015,176	638,929
0031	Guidance, counseling, and evaluation services	2,572,114	2,669,743	2,322,566	347,177
0032	Social work services	157,435	164,599	155,069	9,530
0033	Health services	1,062,780	1,047,988	819,059	228,929
0034	Student transportation	2,301,683	2,257,014	2,121,512	135,502
0036	Extracurricular activities	3,174,042	3,839,833	3,374,695	465,138
0041	General administration	3,172,620	3,494,358	3,144,979	349,379
0051	Plant maintenance and operations	12,681,087	18,225,999	17,605,818	620,181
0052	Security and monitoring services	3,074,610	3,668,678	3,332,434	336,244
0053	Data processing services	2,186,204	2,467,847	2,359,917	107,930
0061	Community services	49,410	53,954	29,493	24,461
Debt services:					
0071	Principal on long-term debt	842,939	842,939	842,939	-
0072	Interest on long-term debt	22,776	22,776	22,776	-
0073	Issuance costs and fees	217,364	217,364	400	216,964
Capital outlay:					
0081	Facilities acquisition and construction	54,615	77,567	70,705	6,862
Intergovernmental:					
0091	Contracted instructional services between schools	1,306,413	1,306,413	518,451	787,962
0093	Payments related shares services arrangements	560,000	560,000	292,075	267,925
0095	Payments to juvenile justice alternative education programs	50,500	44,723	24,145	20,578
0099	Other intergovernmental charges	640,772	640,772	488,798	151,974
6030	Total expenditures	85,028,779	94,135,085	86,274,086	7,860,999
1100	Excess (deficiency) of revenues over expenditures	12,257,307	14,020,886	24,097,785	10,076,899
<b>OTHER FINANCING SOURCES (USES):</b>					
8911	Transfers out	(5,000,000)	(5,000,000)	-	5,000,000
7080	Total other financing sources (uses)	(5,000,000)	(5,000,000)	-	5,000,000
1200	Net change in fund balance	7,257,307	9,020,886	24,097,785	15,076,899
0100	Fund balance - beginning	51,845,170	51,845,170	51,845,170	-
3000	<b>FUND BALANCE - ENDING</b>	<b>\$ 59,102,477</b>	<b>\$ 60,866,056</b>	<b>\$ 75,942,955</b>	<b>\$ 15,076,899</b>

The Notes to the Required Supplementary Information are an integral part of this schedule.

## Texas City Independent School District

Schedule of the District's Proportionate Share of the Net Pension Liability of a Cost-Sharing Multiple-Employer Pension Plan Teacher Retirement System of Texas For the Last Five Fiscal Years\*

	<u>2019</u>
District's proportion of the net pension liability	0.0619939%
District's proportionate share of the net pension liability	\$ 34,122,953
State's proportionate share of the net pension liability associated with the District	<u>45,031,447</u>
<b>TOTALS</b>	<b><u>\$ 79,154,400</u></b>
District's covered payroll	60,458,695
District's proportionate share of the net pension liability as a percentage of its covered payroll	56.44%
Plan fiduciary net position as a percentage of the total pension liability	73.74%

\* The amounts presented for the fiscal years were determined as of the Plan's fiscal year end, August 31 of the prior year. Ten years of data is not available.

\*\* LaMarque ISD was annexed by TCISD effective July 1, 2016. LaMarque ISD pension information was included in the 2015 column.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015**</u>
0.0670813%	0.0536378%	0.0551546%	0.0370889%
\$ 21,448,971	\$ 20,268,931	\$ 19,496,417	\$ 9,906,958
<u>25,889,561</u>	<u>28,937,450</u>	<u>29,089,883</u>	<u>25,393,310</u>
<u>\$ 47,338,532</u>	<u>\$ 49,206,381</u>	<u>\$ 48,586,300</u>	<u>\$ 35,300,268</u>
60,256,723	50,996,372	50,195,373	45,436,168
35.60%	39.75%	38.84%	21.80%
82.17%	78.00%	78.43%	83.25%

**Texas City Independent School District**  
 Schedule of the District's Contributions to the  
 Teacher Retirement System of Texas Pension Plan  
 For the Last Five Fiscal Years\*

	<u>2019</u>
Contractually required contributions	\$ 2,117,225
Contributions in relation to the contractually required contributions	<u>(2,117,225)</u>
<b>CONTRIBUTION DEFICIENCY (EXCESS)</b>	<u><u>\$ -</u></u>
District's covered payroll	\$ 60,668,699
Contributions as a percentage of covered payroll	3.49%

\*The amounts presented for the fiscal years were determined as of the District's fiscal year end August 31.  
 Ten years of data is not available.

\*\* LaMarque ISD was annexed by TCISD effective July 1, 2016. LaMarque ISD pension information was included in the  
 2015 column.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015**</u>
\$ 2,087,351	\$ 2,198,532	\$ 1,702,088	\$ 1,633,154
<u>(2,087,351)</u>	<u>(2,198,532)</u>	<u>(1,702,088)</u>	<u>(1,633,154)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 60,458,695	\$ 60,256,723	\$ 50,996,372	\$ 50,195,373
3.45%	3.65%	3.34%	3.25%

**Texas City Independent School District**

**Exhibit G-4**

Schedule of the District's Proportionate Share of the Net OPEB Liability of a Cost-Sharing Multiple-Employer OPEB Plan Teacher Retirement System of Texas Last Two Fiscal Years\*

	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	0.0824790%	0.0862308%
District's proportionate share of the net OPEB liability	\$ 41,182,504	\$ 37,498,549
State's proportionate share of the net OPEB liability associated with the District	<u>48,954,608</u>	<u>44,689,617</u>
<b>TOTALS</b>	<u><u>\$ 90,137,112</u></u>	<u><u>\$ 82,188,166</u></u>
District's covered payroll	\$ 60,458,695	\$ 60,256,723
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	68.12%	62.23%
Plan fiduciary net position as a percentage of the total OPEB liability	1.57%	0.91%

\* The amounts presented for the fiscal years were determined as of the Plan's fiscal year end, August 31 of the prior year. Ten years of data is not available.

**Texas City Independent School District**  
 Schedule of the District's Contributions to the  
 Teacher Retirement System of Texas OPEB Plan  
 Last Two Fiscal Years\*

**Exhibit G-5**

	<u>2019</u>	<u>2018</u>
Contractually required contributions	\$ 594,237	\$ 569,522
Contributions in relation to the contractually required contributions	<u>(594,237)</u>	<u>(569,522)</u>
<b>CONTRIBUTION DEFICIENCY (EXCESS)</b>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 60,668,699	\$ 60,458,695
Contributions as a percentage of covered payroll	0.98%	0.94%

\* The amounts presented for the fiscal years were determined as of the District's fiscal year end August 31.  
 Ten years of data is not available.

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## Texas City Independent School District

### Notes to the Required Supplementary Information

#### Note 1. Budget

##### Budgetary Information

Each school district in Texas is required by law to prepare annually a budget of anticipated revenues and expenditures for the general fund, debt service fund, and the National School Breakfast and Lunch Program special revenue fund. The Texas Education Code requires the budget to be prepared not later than August 20 and adopted by August 31 of each year. The budgets are prepared on a basis of accounting that is used for reporting in accordance with generally accepted accounting principles.

The following procedures are followed in establishing the budgetary data reflected in the fund financial schedules:

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

The appropriated budget is prepared by fund and function. The District's campus/department heads may make transfers of appropriations within a campus or department. Transfers of appropriations between campuses or departments require the approval of the District's management. Increasing any one of the functional spending categories, or revenues object accounts and other resources require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level within a fund. All annual appropriations lapse at fiscal year end.

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# Supplementary Information

Texas City Independent School District  
Combining Balance Sheet  
Nonmajor Governmental Funds  
Special Revenue Funds  
August 31, 2019

Data Control Codes		204	205	206
		Title IV, Part A, Subpart 1	Head Start	ESSA, Title X, Part C - Education for the Homeless Children and Youth
<b>ASSETS</b>				
1110	Cash and cash equivalents	\$ -	\$ 1,402	\$ -
1120	Investments	-	-	-
1240	Due from other governments	27,500	222,288	14,098
1290	Other receivables	-	-	-
1300	Inventories	-	-	-
1410	Prepaid items	-	-	-
1000	<b>TOTAL ASSETS</b>	<u>\$ 27,500</u>	<u>\$ 223,690</u>	<u>\$ 14,098</u>
<b>LIABILITIES</b>				
2110	Accounts payable	\$ -	\$ 1,402	\$ -
2170	Due to other funds	27,500	222,288	14,098
2300	Unearned revenue	-	-	-
2000	Total liabilities	27,500	223,690	14,098
<b>FUND BALANCES</b>				
3450	Restricted - grants	-	-	-
3545	Committed - campus activity	-	-	-
3000	Total fund balances	-	-	-
4000	<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 27,500</u>	<u>\$ 223,690</u>	<u>\$ 14,098</u>

211

224

225

226

240

244

ESSA Title I, Part A - Improving Basic Programs	IDEA - B Formula	IDEA - B Preschool Grant	IDEA - B High Cost Risk Pool	National School Breakfast/Lunch Program	Career and Technical Basic Grant
\$ -	\$ -	\$ -	\$ -	\$ 103,549	\$ -
-	488	-	-	818,896	-
627,734	207,956	2,783	-	67,855	-
-	-	-	-	20,772	-
-	-	-	-	59,755	-
5,000	-	-	-	-	-
<u>\$ 632,734</u>	<u>\$ 208,444</u>	<u>\$ 2,783</u>	<u>\$ -</u>	<u>\$ 1,070,827</u>	<u>\$ -</u>
\$ 1,031	\$ 760	\$ -	\$ -	\$ 26,844	\$ -
631,703	207,684	2,783	-	47,033	-
-	-	-	-	-	-
632,734	208,444	2,783	-	73,877	-
-	-	-	-	996,950	-
-	-	-	-	-	-
-	-	-	-	996,950	-
<u>\$ 632,734</u>	<u>\$ 208,444</u>	<u>\$ 2,783</u>	<u>\$ -</u>	<u>\$ 1,070,827</u>	<u>\$ -</u>

Texas City Independent School District  
Combining Balance Sheet  
Nonmajor Governmental Funds  
Special Revenue Funds - Continued  
August 31, 2019

Data Control Codes		255	263	265
		ESSA Title II, Part A: Teacher & Principal Training & Recruiting	Title III, Part A, English Language Acquisition and Enhancement	Title IV, Part B - 21st Century Community Learning Centers
<b>ASSETS</b>				
1110	Cash and cash equivalents	\$ -	\$ -	\$ 265
1120	Investments	-	-	-
1240	Due from other governments	29,328	2,652	276,426
1290	Other receivables	-	-	-
1300	Inventories	-	-	-
1410	Prepaid items	-	-	-
1000	<b>TOTAL ASSETS</b>	<u>\$ 29,328</u>	<u>\$ 2,652</u>	<u>\$ 276,691</u>
<b>LIABILITIES</b>				
2110	Accounts payable	\$ -	\$ -	\$ 265
2170	Due to other funds	29,328	2,652	276,426
2300	Unearned revenue	-	-	-
2000	Total liabilities	29,328	2,652	276,691
<b>FUND BALANCES</b>				
3450	Restricted - grants	-	-	-
3545	Committed - campus activity	-	-	-
3000	Total fund balances	-	-	-
4000	<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 29,328</u>	<u>\$ 2,652</u>	<u>\$ 276,691</u>

289

410

429

461

480

Other Federally Funded Grants	State Textbook Fund	Other State Funded Grants	Campus Activity Fund	Teacher Stipends	Total Nonmajor Funds (See Exhibit C-1)
\$ -	\$ -	\$ -	\$ 71,852	\$ -	\$ 177,068
-	5,940	1,050	903,629	-	1,730,003
-	-	-	-	-	1,478,620
-	-	-	-	-	20,772
-	-	-	-	-	59,755
-	-	-	-	-	5,000
<u>\$ -</u>	<u>\$ 5,940</u>	<u>\$ 1,050</u>	<u>\$ 975,481</u>	<u>\$ -</u>	<u>\$ 3,471,218</u>
\$ -	\$ -	\$ -	\$ 28,923	\$ -	\$ 59,225
-	-	-	-	-	1,461,495
-	5,940	1,050	-	-	6,990
-	5,940	1,050	28,923	-	1,527,710
-	-	-	-	-	996,950
-	-	-	946,558	-	946,558
-	-	-	946,558	-	1,943,508
<u>\$ -</u>	<u>\$ 5,940</u>	<u>\$ 1,050</u>	<u>\$ 975,481</u>	<u>\$ -</u>	<u>\$ 3,471,218</u>

**Texas City Independent School District**  
Combining Statement of Revenues, Expenditures, and  
Changes in Fund Balances  
Nonmajor Governmental Funds  
Special Revenue Funds  
For the Fiscal Year Ended August 31, 2019

Data Control Codes		204	205	206
		Title IV, Part A, Subpart 1	Head Start	ESSA, Title X, Part C - Education for the Homeless Children and Youth
<b>REVENUES</b>				
5700	Local and intermediate sources	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-
5900	Federal program revenues	127,500	1,562,080	34,495
5020	Total revenues	127,500	1,562,080	34,495
<b>EXPENDITURES</b>				
Current:				
0011	Instruction	127,500	1,139,160	19,455
0012	Instructional resources and media services	-	-	-
0013	Curriculum and instructional staff development	-	89,064	-
0021	Instructional leadership	-	-	-
0023	School leadership	-	134,713	-
0031	Guidance, counseling, and evaluation services	-	-	-
0032	Social work services	-	-	3,934
0033	Health services	-	33,960	-
0034	Student transportation	-	30,647	10,324
0035	Food services	-	-	-
0036	Extracurricular activities	-	-	-
0041	General administration	-	-	-
0051	Plant maintenance and operations	-	-	-
0052	Security and monitoring services	-	2,900	-
0053	Data processing services	-	-	-
0061	Community services	-	131,636	782
6030	Total expenditures	127,500	1,562,080	34,495
1200	Net change in fund balances	-	-	-
0100	Fund balances - beginning	-	-	-
3000	<b>FUND BALANCES - ENDING</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

211	224	225	226	240	244
ESSA Title I, Part A - Improving Basic Programs	IDEA - B Formula	IDEA - B Preschool Grant	IDEA - B High Cost Risk Pool	National School Breakfast/Lunch Program	Career and Technical Basic Grant
\$ -	\$ -	\$ -	\$ -	\$ 627,947	\$ -
-	-	-	-	62,414	-
3,156,198	1,895,393	57,322	24,000	4,539,017	155,562
3,156,198	1,895,393	57,322	24,000	5,229,378	155,562
2,983,979	1,387,805	57,322	-	-	150,175
-	-	-	-	-	-
35,954	-	-	-	-	5,387
-	535	-	-	-	-
-	66,518	-	-	-	-
15,308	440,535	-	24,000	-	-
101,957	-	-	-	-	-
-	-	-	-	-	-
19,000	-	-	-	-	-
-	-	-	-	5,257,694	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,156,198	1,895,393	57,322	24,000	5,257,694	155,562
-	-	-	-	(28,316)	-
-	-	-	-	1,025,266	-
\$ -	\$ -	\$ -	\$ -	\$ 996,950	\$ -

**Texas City Independent School District**  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
Special Revenue Funds - Continued  
For the Fiscal Year Ended August 31, 2019

<u>Data Control Codes</u>	255	263	265
	<u>ESSA Title II, Part A: Teacher &amp; Principal Training &amp; Recruiting</u>	<u>Title III, Part A, English Language Acquisition and Enhancement</u>	<u>Title IV, Part B - 21st Century Community Learning Centers</u>
<b>REVENUES</b>			
5700	\$ -	\$ -	\$ -
5800	-	-	-
5900	281,039	32,343	2,231,499
5020	281,039	32,343	2,231,499
<b>EXPENDITURES</b>			
Current:			
0011	99,085	22,002	1,166,664
0012	-	-	-
0013	181,954	10,341	6,927
0021	-	-	900,942
0023	-	-	17,940
0031	-	-	-
0032	-	-	-
0033	-	-	-
0034	-	-	34,682
0035	-	-	-
0036	-	-	9,494
0041	-	-	-
0051	-	-	-
0052	-	-	-
0053	-	-	-
0061	-	-	94,850
6030	281,039	32,343	2,231,499
1200	-	-	-
0100	-	-	-
3000	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

289	410	429	461	480	Total Nonmajor Funds (See Exhibit C-2)
Other Federally Funded Grants	State Textbook Fund	Other State Funded Grants	Campus Activity Fund	Teacher Stipends	
\$ -	\$ -	\$ -	\$ 1,035,650	\$ 5,000	\$ 1,668,597
-	1,482,159	1,750	-	-	1,546,323
5,007	-	-	-	-	14,101,455
5,007	1,482,159	1,750	1,035,650	5,000	17,316,375
5,007	1,482,159	1,750	469,490	4,837	9,116,390
-	-	-	61,672	-	61,672
-	-	-	-	-	329,627
-	-	-	-	-	901,477
-	-	-	163,907	-	383,078
-	-	-	19,077	-	498,920
-	-	-	-	-	105,891
-	-	-	2,986	-	36,946
-	-	-	-	163	94,816
-	-	-	-	-	5,257,694
-	-	-	301,358	-	310,852
-	-	-	13,764	-	13,764
-	-	-	16,014	-	16,014
-	-	-	-	-	2,900
-	-	-	2,421	-	2,421
-	-	-	12,880	-	240,148
5,007	1,482,159	1,750	1,063,569	5,000	17,372,610
-	-	-	(27,919)	-	(56,235)
-	-	-	974,477	-	1,999,743
\$ -	\$ -	\$ -	\$ 946,558	\$ -	\$ 1,943,508

Texas City Independent School District  
 Combining Statement Net Position  
 Private Purpose Trust Funds  
 August 31, 2019

Exhibit H-3

<u>Data Control Codes</u>	<b>848</b>	<b>849</b>	<b>Total Private Purpose Trust Funds (See Exhibit E-1)</b>
	<b>Student Scholarship Fund</b>	<b>Heatherington Scholarship</b>	
<b>ASSETS</b>			
Current assets:			
1110	\$ 102,907	\$ 39,752	\$ 142,659
	102,907	39,752	142,659
1000	<u>102,907</u>	<u>39,752</u>	<u>142,659</u>
<b>LIABILITIES</b>			
Current liabilities:			
2110	-	-	-
	-	-	-
2000	-	-	-
<b>NET POSITION</b>			
3900	102,907	39,752	142,659
3000	<u>\$ 102,907</u>	<u>\$ 39,752</u>	<u>\$ 142,659</u>

**Texas City Independent School District**  
Combining Statement of Changes in Net Position  
Private Purpose Trust Funds  
For the Fiscal Year Ended August 31, 2019

**Exhibit H-4**

<u>Data Control Codes</u>	<b>848</b>	<b>849</b>	<b>Total Private Purpose Trust Funds (See Exhibit E-2)</b>
	<b>Student Scholarship Fund</b>	<b>Heatherington Scholarship</b>	
<b>ADDITIONS</b>			
5700 Local and intermediate sources	\$ 10,707	\$ 78	\$ 10,785
5020 Total additions	10,707	78	10,785
<b>DEDUCTIONS</b>			
6200 Professional and contracted services	16,000	-	16,000
6030 Total deductions	16,000	-	16,000
1200 Change in net position	(5,293)	78	(5,215)
0100 Net position - beginning	108,200	39,674	147,874
3000 <b>NET POSITION - ENDING</b>	<u>\$ 102,907</u>	<u>\$ 39,752</u>	<u>\$ 142,659</u>

**Texas City Independent School District**  
 Schedule of Delinquent Taxes Receivable  
 For The Fiscal Year Ended August 31, 2019

Year Ended August 31,	Tax Rates		3 Assessed/Appraised Value For School Tax Purposes
	1	2	
	Maintenance	Debt Service	
2010 and prior years	\$ Various	\$ Various	\$ Various
2011	1.040000	0.248600	3,660,903,461
2012	1.040000	0.255300	3,766,001,390
2013	1.040000	0.229200	4,036,710,841
2014	1.040000	0.250900	3,737,856,457
2015	1.040000	0.221600	3,960,387,445
2016	1.040000	0.259800	5,032,695,549
2017	1.170000	0.270500	4,538,847,275
2018	1.170000	0.264900	4,618,250,749
2019	1.170000	0.344900	4,847,800,053

**1000 TOTALS**

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

Exhibit J-1

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
\$ 1,547,390	\$ -	\$ 66,599	\$ 8,965	\$ (86,781)	\$ 1,385,045
154,705	-	7,545	1,306	(5,109)	140,745
152,394	-	8,475	2,037	(3,618)	138,264
164,905	-	12,710	3,177	(3,189)	145,829
189,780	-	24,779	5,480	6,705	166,226
243,810	-	(58,109)	(13,968)	(98,875)	217,012
364,612	-	(4,770)	(1,009)	(84,470)	285,921
781,480	-	122,429	27,186	(109,180)	522,685
1,196,949	-	283,010	64,076	(113,880)	735,983
-	73,439,323	55,728,794	16,428,087	-	1,282,442
<u>\$ 4,796,025</u>	<u>\$ 73,439,323</u>	<u>\$ 56,191,462</u>	<u>\$ 16,525,337</u>	<u>\$ (498,397)</u>	<u>\$ 5,020,152</u>
		\$ -	\$ -		

**Texas City Independent School District**  
Schedule of Revenues, Expenditures and Changes  
in Fund Balance – Budget and Actual  
National School Breakfast and Lunch Program  
For the Fiscal Year Ended August 31, 2019

**Exhibit J-2**

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
<b>REVENUES</b>					
5700	Local and intermediate sources	\$ 680,159	\$ 688,159	\$ 627,947	\$ (60,212)
5800	State program revenues	72,034	72,034	62,414	(9,620)
5900	Federal program revenues	4,838,458	5,077,018	4,539,017	(538,001)
5020	Total revenues	5,590,651	5,837,211	5,229,378	(607,833)
<b>EXPENDITURES</b>					
Current:					
0035	Food services	5,590,651	5,982,751	5,257,694	725,057
6030	Total expenditures	5,590,651	5,982,751	5,257,694	725,057
1200	Net change in fund balance	-	(145,540)	(28,316)	117,224
0100	Fund balance - beginning	1,025,266	1,025,266	1,025,266	-
3000	<b>FUND BALANCE - ENDING</b>	<u>\$ 1,025,266</u>	<u>\$ 879,726</u>	<u>\$ 996,950</u>	<u>\$ 117,224</u>

**Texas City Independent School District**  
Schedule of Revenues, Expenditures and Changes  
in Fund Balance – Budget and Actual  
Debt Service Fund  
For the Fiscal Year Ended August 31, 2019

**Exhibit J-3**

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
<b>REVENUES</b>					
5700	Local and intermediate sources	\$ 16,776,508	\$ 17,218,061	\$ 17,302,769	\$ 84,708
5800	State program revenues	291,059	10,845,168	3,789,799	(7,055,369)
5020	Total revenues	17,067,567	28,063,229	21,092,568	(6,970,661)
<b>EXPENDITURES</b>					
Debt service:					
0071	Principal on long-term debt	11,165,000	11,165,000	11,165,000	-
0072	Interest on long-term debt	7,507,653	7,507,653	7,507,653	-
0073	Issuance costs and fees	259,490	952,262	695,971	256,291
6030	Total expenditures	18,932,143	19,624,915	19,368,624	256,291
1100	Excess (deficiency) of revenues over expenditures	(1,864,576)	8,438,314	1,723,944	(6,714,370)
<b>OTHER FINANCING SOURCES (USES)</b>					
7901	Refunding bonds issued	-	2,300,000	2,300,000	-
7915	Transfers in	1,864,576	-	-	-
7916	Premium or discount on issuance of bonds	-	9,867,817	9,867,817	-
8940	Payment to bond refunding escrow agent	-	(11,737,455)	(11,737,455)	-
7080	Total other financing sources (uses)	1,864,576	430,362	430,362	-
1200	Net change in fund balance	-	8,868,676	2,154,306	(6,714,370)
0100	Fund balance - beginning	10,835,688	10,835,688	10,835,688	-
3000	<b>FUND BALANCE - ENDING</b>	<b>\$ 10,835,688</b>	<b>\$ 19,704,364</b>	<b>\$ 12,989,994</b>	<b>\$ (6,714,370)</b>

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**Overall Compliance, Internal Control Section  
and Federal Awards**

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

To the Board of Trustees of  
Texas City Independent School District  
Texas City, Texas

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Texas City 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, and have issued our report thereon dated December 10, 2019.

***Internal Control over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.

***Compliance and Other Matters***

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

The Board of Trustees of  
Texas City Independent School District

### **The District's Response to Findings**

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas  
December 10, 2019

**Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with Uniform Guidance**

To the Board of Trustees of  
Texas City Independent School District  
Texas City, Texas

**Report on Compliance for Each Major Federal Program**

We have audited Texas City Independent School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2019.

### Report on Internal Control over Compliance

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

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

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

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

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas  
December 10, 2019

**Texas City Independent School District**  
 Schedule of Findings and Questioned Costs  
 For the Fiscal Year Ended August 31, 2019

**Section 1. Summary of Auditor's Results**

**Financial Statements**

- |   |            |
|---|------------|
| 1. Type of auditor's report issued  | Unmodified |
| 2. Internal control over financial reporting:   |            |
| <i>a.</i> Material weakness(es) identified?   | No         |
| <i>b.</i> Significant deficiency(ies) identified that are not considered to be material weaknesses? | Yes        |
| 3. Noncompliance material to financial statements noted?  | No         |

**Federal Awards**

- |   |   |
|---|---|
| 4. Internal control over major programs:  |   |
| <i>a.</i> Material weakness(es) identified?   | No  |
| <i>b.</i> Significant deficiency(ies) identified that are not considered to be material weaknesses?   | None reported   |
| 5. Type of auditor's report issued on compliance with major programs                                  | Unmodified  |
| 6. Any Audit Findings Disclosed that are required to be reported in accordance with Uniform Guidance? | No  |
| 7. Identification of major programs   | Title I 84.010<br>Head Start 93.600<br>Disaster Grants 97.036 |
| 8. Dollar threshold used to distinguish between Type A and Type B federal programs                    | \$750,000   |
| 9. Auditee qualified as a low-risk auditee?   | Yes   |

**Texas City Independent School District**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended August 31, 2019

**Section 2. Financial Statement Findings**

**Finding 2019-001 Purchasing**  
**Significant Deficiency in Internal Controls**

Criteria

As set forth in Texas Education Code 44.031(a), all district contracts for the purchase of goods and services, except contracts for the purchase of produce or vehicle fuel, valued at \$50,000 or more in the aggregate for each 12-month period shall be made by the method that provides the best value to the district: 1) competitive bidding for services other than construction 2) competitive sealed proposals for services other than construction services 3) a request for proposals for services other than construction services 4) an interlocal contract 5) the reverse auction procedure as defined by Government Code 2155.062(d) or 6) the formation of a political subdivision corporation under Local Government Code 304.001.

Condition

Texas City Independent School District has expenditures paid to a vendor individually in the aggregate of \$50,000 or more and did not meet the procurement requirements specified in Texas Education Code 44.031(a).

Cause

Procedures in place were not adequate to ensure that vendor had a valid interlocal contract at the time of the award.

Effect

Texas City Independent School District was not in compliance with the Texas Education Code.

Recommendation

Procedures should be implemented to review vendors interlocal contracts to ensure they are valid at the time of the award and include the goods or services being acquired.

Views of Responsible Officials and Planned Corrective Actions

See corrective action plan.

**Section 3. Federal Award Findings And Questioned Costs**

None reported

**Texas City Independent School District**  
Summary Schedule of Prior Audit Findings  
For the Fiscal Year Ended August 31, 2019

**Prior Year Findings**

None reported



## **Finding 2019-001 – Purchasing – Significant Deficiency in Controls**

### Corrective Action Plan

Texas City Independent School District immediately implemented additional controls in the purchasing function. The District established a system to maintain vendor contract awards within the existing financial software. With full implementation of the purchasing contract option, the Director of Purchasing maintains purchasing contracts including bid number, description of items covered under the bid, and the start and end dates of the contract. A copy of the contract is also attached in the finance software. Expired contracts are inactivated, and unfulfilled requisitions tied to the expired contract are closed monthly. When a requisition is entered, the Budget Manager selects a method of procurement from the active contracts that are awarded to the vendor. At the final point of approval, any requisitions entered that require competitive procurement, but do not have an active contract associated with the requisition are denied pending proof of procurement.

### Person(s) Responsible

Director of Purchasing (maintains contract database and oversees all procurement)

Assistant Superintendent of Business and Operations (final approver)

### Anticipated Completion Date

New procedures went into effect September 1, 2019

**Texas City Independent School District**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended August 31, 2019**

**Exhibit K-1**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed Through State Department of Education:			
ESEA, Title I, Part A	84.010A	19610101084906	\$ 3,233,455
Special Education Cluster (IDEA):			
Passed Through Education Service Center, Region 20:			
IDEA-B Discretionary Evaluation Capacity Grant	84.027A	2265431904005	24,000
Passed Through State Department of Education:			
IDEA-B Formula	84.027A	186600010849066600	472,111
IDEA-B Formula	84.027A	196600010849066600	1,452,989
IDEA-B Preschool	84.173A	186610010849066610	2,226
IDEA-B Preschool	84.173A	196610010849066610	55,096
Total Special Education Cluster (IDEA)			2,006,422
Carl D. Perkins Basic Grant	84.048A	19420006084906	155,562
Texas Education for Homeless Children & Youth	84.196A	194600057110070	35,858
21st Century Cycle 9 - Year 3	84.287C	196950247110028	868,535
21st Century Cycle 9 - Year 4	84.287C	206950247110028	19,134
21st Century Cycle 10 - Year 1	84.287C	196950267110047	1,276,772
21st Century Cycle 10 - Year 2	84.287C	206950267110047	77,018
Total program 84.287C			2,241,459
Title III , Part A, English Language Acquisition & Language Enhancement	84.365A	19671001084906	32,769
Title II, Part A, Teacher/Principal Training	84.367A	19694501084906	288,375
Title IV, Part A, Subpart 1	84.424A	19680101084906	127,500
Summer School LEP	84.369A	69551802	5,007
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			8,126,407
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Direct:			
Head Start	93.600	06CH7065-06-00	479,257
Head Start	93.600	06CH010751-01-01	1,082,823
Total Program 93.600			1,562,080
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			1,562,080
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Child Nutrition Cluster:			
Passed Through State Department of Agriculture - Non-Cash Assistance:			
National School Lunch Program	10.555	084-906	238,561
Passed Through Texas Education Agency - Cash Assistance:			
School Breakfast Program	10.553	71401901	1,188,744
National School Lunch Program	10.555	71301901	3,111,712
Total Child Nutrition Cluster			4,539,017
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			4,539,017
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
Passed Through Texas Department of Public Safety			
Disaster Grants - Public Assistance (FEMA)	97.036	PA-4332	4,706,999
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 18,934,503</b>

The Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

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**Texas City Independent School District**  
Notes to Schedule of Expenditures of Federal Awards

**Note 1. Summary of Significant Accounting Policies**

The District accounts for all awards under federal programs in the General Fund and certain Special Revenue Funds in accordance with the Texas Education Agency's Financial Accountability System Resource Guide. These programs are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in fund balance. The modified accrual basis of accounting is used for these funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned. Generally, unused balances are returned to the grantor at the close of specified project periods.

National School Lunch Program non-cash commodities are recorded at their estimated market value at the time of donation.

**Note 2. De Minimis Cost Rate**

The District has elected not to use the 10% de minimis indirect cost rate as allowed under Uniform Guidance.

**Note 3. Reconciliation to Basic Financial Statements**

The following is a reconciliation of expenditures of federal awards per Exhibit K-1 and federal revenues reported on Exhibit C-2:

Total expenditures of federal awards per Exhibit K-1	\$ 18,934,503
General fund - federal revenue:	
Student Health and Related Services Program (SHARS)	2,284,866
ROTC	67,467
	<hr/>
<b>Total federal revenues per Exhibit C-2</b>	<b>\$ 21,286,836</b>

**Texas City Independent School District**  
 Schedule of Required Responses to Selected  
 School FIRST Indicators (Unaudited)  
 For the Fiscal Year Ended August 31, 2019

**Exhibit L-1**

<u>Data Control Codes</u>	<u>Responses</u>	
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end?	\$ -
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ -
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 34,122,953