

Texas City Independent School District

Annual Financial Report

For the Fiscal Year Ended August 31, 2018

Texas City Independent School District
 Annual Financial Report
 For the Fiscal Year Ended August 31, 2018
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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, 2018 at a meeting of the Board of Trustees of such school district on the 15th day of January, 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 fiscal year ended August 31, 2018, 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, 2018, and the respective changes in financial position, and where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 1.E. and Note 4.D. to the basic financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Beginning net position has been restated to reflect the change in accounting principle resulting from this statement. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and 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 the audit requirements of Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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 were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The 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 January 15, 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 the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas
January 15, 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, 2018. 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 \$63,603,375 (net position).
- The District's total net position decreased by \$31,408,025 31,408,025 as a result of implementing GASB Statement No. 75.
- As of the close of the year, the District's governmental funds had combined ending fund balances of \$138,581,819, an increase of \$94,391,435 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 \$21,889,443, or 22 percent of the year's total general fund expenditures.
- The District's total net bonded debt increased by \$66,815,292 (56 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 Repair and Maintenance, 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.

In fiscal year 2018, the District implemented the Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* – which superseded GASB Statement No. 45.

Statement No. 75 establishes financial reporting standards and/or accounting standards for state and local government defined benefit other postemployment benefit (OPEB) plans and defined contribution OPEB plans. Statement No. 75 requires that, at transition, a government recognizes a beginning OPEB liability and beginning deferred outflow of resources for its OPEB contributions, if any, made subsequent to the measurement date of the beginning net OPEB liability. The implementation of this statement has no impact on the District's governmental fund financial statements. However, implementation has resulted in certain changes to the presentation of the District's government-wide financial statements. More information on the implementation of this statement and the District's OPEB plan is available in Note 1. E. and Note 4.D., respectively.

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-one 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 eighteen 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 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 \$63,603,375, a decrease of \$31,408,025 over the preceding year. Such decrease is the result of implementing GASB Statement No. 75 for OPEB as previously noted.

Texas City Independent School District's Net Position

	Governmental Activities					
	2018		2017		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Current and other assets	\$ 148,525,243	46	\$ 56,559,813	24	\$ 91,965,430	163
Capital assets, net of depreciation	172,770,611	54	177,323,807	76	(4,553,196)	(3)
Total assets	321,295,854	100	233,883,620	100	87,412,234	
Total deferred outflows of resources	18,826,560	100	12,883,822	100	5,942,738	46
Long-term liabilities outstanding	249,352,627	98	144,613,073	96	104,739,554	72
Other liabilities	4,011,200	2	5,720,104	4	(1,708,904)	(30)
Total liabilities	253,363,827	100	150,333,177	100	103,030,650	
Total deferred inflows of resources	23,155,212	100	1,422,865	100	21,732,347	1,527
Net position:						
Net investment in capital assets	61,569,135	97	58,631,773	62	2,937,362	5
Restricted	11,844,117	18	4,344,224	4	7,499,893	173
Unrestricted	(9,809,877)	(15)	32,035,403	34	(41,845,280)	(131)
Total net position	\$ 63,603,375	100	\$ 95,011,400	100	\$ (31,408,025)	

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 97 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 \$11,844,117, which represents 18 percent of total net position, is restricted for future debt service and grant expenditures.

Unrestricted net position of \$(9,809,877) reflects a deficit and will not provide funds to meet future obligations to students and creditors. The deficit unrestricted is the result of the implementation of GASB Statement No. 75.

Governmental Activities. Governmental activities increased the District's net position by \$34,345,454 from current operations. Key elements of this change are as follows:

Texas City Independent School District's Change in Net Position

	Governmental Activities					
	2018		2017		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Revenues:						
Program revenues:						
Charges for services	\$ 1,954,788	\$ 1	\$ 2,648,374	\$ 2	\$ (693,586)	(26)
Operating grants and contributions	9,786,588	7	18,866,592	14	(9,080,004)	(48)
General revenues:						
Property taxes, levied for general purposes	54,530,148	41	48,622,375	37	5,907,773	12
Property taxes, levied for debt service	12,301,767	10	11,223,828	9	1,077,939	10
Grants and contributions not restricted						
to specific programs	36,975,626	28	49,188,234	37	(12,212,608)	(25)
Insurance proceeds	13,463,505	10	-	-	13,463,505	100
Investment earnings	1,204,261	1	359,370	-	844,891	235
Miscellaneous	2,111,190	2	1,991,609	1	119,581	6
Total revenues	132,327,873	100	132,900,382	100	(572,509)	
Expenses:						
Instruction	36,913,817	38	59,398,348	51	(22,484,531)	(38)
Instructional resources and media services	926,865	1	1,198,268	1	(271,403)	(23)
Curriculum and instructional staff development	762,153	1	1,374,383	1	(612,230)	(45)
Instructional leadership	699,778	1	1,331,008	1	(631,230)	(47)
School leadership	4,151,418	4	6,435,345	6	(2,283,927)	(35)
Guidance, counseling, and evaluation services	1,847,454	2	2,973,568	3	(1,126,114)	(38)
Social work services	133,384	-	203,084	-	(69,700)	(34)
Health services	768,230	1	875,213	1	(106,983)	(12)
Student transportation	2,162,503	2	1,993,792	2	168,711	8
Food services	4,288,526	4	5,324,713	5	(1,036,187)	(19)
Extracurricular activities	2,947,404	3	3,805,010	3	(857,606)	(23)
General administration	2,534,952	3	3,346,360	3	(811,408)	(24)
Plant maintenance and operations	29,434,173	30	14,284,071	12	15,150,102	106
Security and monitoring services	1,665,576	2	1,442,927	1	222,649	15
Data processing services	1,452,630	1	5,067,240	5	(3,614,610)	(71)
Community services	79,566	-	215,335	-	(135,769)	(63)
Interest on long-term debt	4,575,676	4	4,044,753	3	530,923	13
Issuance costs and fees	572,797	1	149,365	-	423,432	283
Facilities repair and maintenance	739,269	1	-	-	739,269	100
Contracted instructional services between schools	420,617	-	1,651,986	1	(1,231,369)	(75)
Payments related to shared service arrangements	324,958	-	367,278	-	(42,320)	(12)
Payments to juvenile justice alternative education programs	5,141	-	-	-	5,141	100
Other intergovernmental charges	575,532	1	608,743	1	(33,211)	(5)
Total expenses	97,982,419	100	116,090,790	100	(18,108,371)	
Change in net position	34,345,454		16,809,592		17,535,862	
Net position - beginning	95,011,400		78,201,808		16,809,592	
Prior period adjustment - capital assets	(65,753,479)		-		(65,753,479)	
Net position - beginning, as restated	29,257,921		78,201,808		(48,943,887)	
Net position - ending	\$ 63,603,375		\$ 95,011,400		\$ (31,408,025)	

Revenues, aggregating \$132,327,873, were generated primarily from two sources. Property taxes \$66,831,915 represent 51 percent of total revenues while grants and contributions, (including those not restricted for program-specific use as well as for general operations, totaling \$46,762,214), represent 35 percent of total revenues. The remaining 14 percent is generated from investment earnings, charges for services, insurance proceeds, and miscellaneous revenues.

The primary functional expenses of the District are *Instruction* \$36,913,817, which represents 38 percent of total expenses and *Plant maintenance and operations* \$29,434,173, which represents 30 percent of total expenses, while all remaining expense categories are individually 5 percent or less of total expenses. The significant decrease in expenses is the result of recording a negative state contribution related to implementing GASB Statement No. 75 for OPEB.

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 \$138,581,819, an increase of \$94,391,435 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 \$21,889,443, while total fund balance was \$51,845,170. 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 22 percent of total general fund expenditures, while total fund balance represents 52 percent of that same total. The fund balance of the general fund increased \$12,773,301 during the year, primarily due to receipt of revenues generated under TEC 13.054 for the annexation of LaMarque ISD to Texas City ISD.

The debt service fund ended the year with a total fund balance of \$10,835,688, all of which is restricted for the payment of principal and interest on debt. The debt service fund balance increased \$8,041,908 during the year, primarily due to the increase in state aid provided by SB 1353.

The capital projects fund has a total fund balance of \$73,901,218. The net increase in fund balance during the current year in the capital projects fund was due to issuance of \$70,000,000 of bonds, sold at a premium.

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 \$24,453,374 primarily due to Hurricane Harvey recovery costs.

Capital Assets and Long-term Liabilities

Capital Assets. The District's investment in capital assets for its governmental activities as of August 31, 2018 was \$172,770,611 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, and construction in progress. The decrease in net investment in capital assets for the current fiscal year was \$4,553,196.

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

	Governmental Activities					
	2018		2017		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Land	\$ 5,120,256	3	\$ 5,072,706	3	\$ 47,550	1
Buildings and improvements	158,014,584	91	164,203,561	93	(6,188,977)	(4)
Furniture and equipment	9,116,336	5	8,047,540	4	1,068,796	13
Construction in progress	519,435	1	-	-	519,435	100
Totals	\$ 172,770,611	100	\$ 177,323,807	100	\$ (4,553,196)	

Additional information on the District's capital assets can be found in Note 3.D in the notes to the financial statements as per the table of contents.

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					
	2018		2017		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
General obligation bonds (gross)	\$ 186,372,411	75	\$ 119,557,119	57	\$ 66,815,292	56
Notes Payable	2,482,939	1	3,512,227	2	(1,029,288)	(29)
Workers' compensation	387,984	-	414,792	-	(26,808)	(6)
Compensated absences	1,161,773	-	860,004	-	301,769	35
Net pension liability	21,448,971	9	20,268,931	10	1,180,040	6
Net OPEB liability*	37,498,549	15	66,201,794	31	(28,703,245)	(43)
Totals	\$ 249,352,627	100	\$ 210,814,867	100	\$ 38,537,760	

* Net OPEB liability at 2017 fiscal year end was restated for GASB Statement No. 75.

The District's total bonded debt increased by \$66,815,292 (56 percent) during the current fiscal year, which resulted primarily from the issuance of \$70,000,000 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 (2018-19) student enrollment is 8,461, a decrease from the preceding year.
- District staff totals 1,291 employees in 2018-19, excluding substitutes and other part-time employees, of which 544 are teachers and 198 are teacher aides and secretaries.
- The District maintains thirteen regular education campuses.
- Property values of the District are projected to remain comparable for the 2018-19 year.
- A maintenance and operations tax rate of \$1.17 and a debt service tax rate of \$0.3449, a total rate of \$1.5149 were adopted for 2018-19. Preceding year rates were \$1.17, \$0.2649 and \$1.4349, respectively.

All of these factors and others were considered in preparing the District's budget for the 2018-19 fiscal year.

During 2017-18, fund balance in the general fund increased to \$51,845,170. 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, 2018

Exhibit A-1

1

<u>Data Control Codes</u>		<u>Primary Government Governmental Activities</u>
ASSETS		
1110	Cash and cash equivalents	\$ 5,130,609
1120	Current investments	104,083,164
1220	Property taxes receivables	4,796,025
1230	Allowance for uncollectible taxes	(48,000)
1240	Due from other governments	7,924,558
1290	Other receivables	900,632
1300	Inventories	282,711
1410	Prepaid items	1,420,983
1910	Long-term investments	24,034,561
	Capital assets:	
1510	Land	5,120,256
1520	Buildings and improvements (net)	158,014,584
1530	Furniture and equipment (net)	9,116,336
1580	Construction in progress	519,435
1000	Total assets	321,295,854
DEFERRED OUTFLOWS OF RESOURCES		
1705	Deferred outflows - pension	14,498,512
1706	Deferred outflows - OPEB	575,392
1710	Deferred charge on refunding	3,752,656
1700	Total deferred outflows of resources	18,826,560
LIABILITIES		
2110	Accounts payable	1,619,694
2140	Interest payable	723,570
2150	Payroll deductions and withholdings	129,354
2160	Accrued wages payable	1,529,562
2300	Unearned revenue	9,020
	Noncurrent liabilities:	
2501	Due within one year	12,279,433
2502	Due in more than one year	178,125,674
2540	Net pension liabilities	21,448,971
2545	Net OPEB liabilities	37,498,549
2000	Total liabilities	253,363,827
DEFERRED INFLOWS OF RESOURCES		
2605	Deferred inflows - pension	7,469,498
2606	Deferred inflows - OPEB	15,685,714
2600	Total deferred inflows of resources	23,155,212
NET POSITION		
3200	Net investment in capital assets	61,569,135
3820	Restricted for grants	1,025,266
3850	Restricted for debt service	10,818,851
3900	Unrestricted (deficit)	(9,809,877)
3000	TOTAL NET POSITION	\$ 63,603,375

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, 2018

Exhibit B-1

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues		4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Governmental Activities		
PRIMARY GOVERNMENT						
	Governmental activities					
0011	Instruction	\$ 36,913,817	\$ 579,715	\$ (568,863)	\$ (36,902,965)	
0012	Instructional resources and media services	926,865	53,756	(110,161)	(983,270)	
0013	Curriculum and instructional staff development	762,153	-	177,484	(584,669)	
0021	Instructional leadership	699,778	-	215,995	(483,783)	
0023	School leadership	4,151,418	185,134	(401,445)	(4,367,729)	
0031	Guidance, counseling, and evaluation services	1,847,454	24,210	(161,484)	(1,984,728)	
0032	Social work services	133,384	-	45,840	(87,544)	
0033	Health services	768,230	4,421	(68,097)	(831,906)	
0034	Student transportation	2,162,503	-	68,453	(2,094,050)	
0035	Food services	4,288,526	587,781	3,997,232	296,487	
0036	Extracurricular activities	2,947,404	432,559	(288,335)	(2,803,180)	
0041	General administration	2,534,952	19,002	(269,425)	(2,785,375)	
0051	Plant maintenance and operations	29,434,173	29,371	(39,516)	(29,444,318)	
0052	Security and monitoring services	1,665,576	-	(38,630)	(1,704,206)	
0053	Data processing services	1,452,630	27,629	(225,084)	(1,650,085)	
0061	Community services	79,566	11,210	78,147	9,791	
0072	Interest on long-term debt	4,575,676	-	7,375,492	2,799,816	
0073	Issuance costs and fees	572,797	-	-	(572,797)	
0081	Facilities repair and maintenance	739,269	-	(1,015)	(740,284)	
0091	Contracted instructional services between schools	420,617	-	-	(420,617)	
0093	Payments related to shared services arrangements	324,958	-	-	(324,958)	
0095	Payments to juvenile justice alternative education programs	5,141	-	-	(5,141)	
0099	Other intergovernmental charges	575,532	-	-	(575,532)	
TG	Total governmental activities	97,982,419	1,954,788	9,786,588	(86,241,043)	
TP	TOTAL PRIMARY GOVERNMENT	<u>\$ 97,982,419</u>	<u>\$ 1,954,788</u>	<u>\$ 9,786,588</u>	(86,241,043)	
General revenues						
MT	Property taxes, levied for general purposes				54,530,148	
DT	Property taxes, levied for debt service				12,301,767	
GC	Grants and contributions not restricted to specific programs				36,975,626	
IN	Insurance proceeds				13,463,505	
IE	Investment earnings				1,204,261	
MI	Miscellaneous				2,111,190	
TR	Total general revenues				120,586,497	
CN	Change in net position				34,345,454	
NB	Net position - beginning				95,011,400	
PA	Prior period adjustment - implement GASB 75 for OPEB				(65,753,479)	
	Net position - beginning, as restated				29,257,921	
NE	NET POSITION - ENDING				<u>\$ 63,603,375</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, 2018

Data Control Codes		199	599
		General Fund	Debt Service Fund
ASSETS			
1110	Cash and cash equivalents	\$ 4,309,498	\$ 130,352
1120	Current investments	40,895,774	3,636,195
1220	Property taxes receivables	4,096,597	699,428
1230	Allowance for uncollectible taxes	(41,000)	(7,000)
1240	Due from other governments	5,258,900	19,679
1260	Due from other funds	2,768,392	7,049,462
1290	Other receivables	871,015	-
1300	Inventories	210,359	-
1410	Prepaid items	1,236,207	-
1910	Long-term investments	5,953,335	-
1000	Total assets	65,559,077	11,528,116
1000a	TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 65,559,077	\$ 11,528,116
LIABILITIES			
2110	Accounts payable	\$ 859,946	\$ -
2150	Payroll and withholdings	129,314	-
2160	Accrued wages payable	1,529,562	-
2170	Due to other funds	7,139,488	-
2300	Unearned revenue	-	-
2000	Total liabilities	9,658,310	-
DEFERRED INFLOWS OF RESOURCES			
2600	Unavailable revenue - property taxes	4,055,597	692,428
	Total deferred inflows of resources	4,055,597	692,428
FUND BALANCES			
3410	Nonspendable - inventories	210,359	-
3430	Nonspendable - prepaid items	1,236,207	-
3450	Restricted - grants	-	-
3470	Restricted - capital acquisitions and contractual obligations	-	-
3480	Restricted - debt service	-	10,835,688
3545	Committed - other	-	-
3550	Assigned - construction	10,000,000	-
3565	Assigned - retirement of loans/notes payable	2,538,916	-
3590	Assigned - other	15,970,245	-
3600	Unassigned	21,889,443	-
3000	Total fund balances	51,845,170	10,835,688
4000	TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 65,559,077	\$ 11,528,116

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

699	Total	98
Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
\$ 427,766	\$ 239,149	\$ 5,106,765
56,090,842	1,718,773	102,341,584
-	-	4,796,025
-	-	(48,000)
-	2,645,979	7,924,558
-	-	9,817,854
-	29,617	900,632
-	72,352	282,711
-	121,649	1,357,856
18,081,226	-	24,034,561
<hr/>	<hr/>	<hr/>
74,599,834	4,827,519	156,514,546
<hr/>	<hr/>	<hr/>
<u>\$ 74,599,834</u>	<u>\$ 4,827,519</u>	<u>\$ 156,514,546</u>
\$ 698,518	\$ 51,846	\$ 1,610,310
-	40	129,354
-	-	1,529,562
98	2,766,870	9,906,456
-	9,020	9,020
<hr/>	<hr/>	<hr/>
698,616	2,827,776	13,184,702
-	-	4,748,025
<hr/>	<hr/>	<hr/>
-	-	4,748,025
-	-	210,359
-	-	1,236,207
-	1,025,266	1,025,266
73,901,218	-	73,901,218
-	-	10,835,688
-	974,477	974,477
-	-	10,000,000
-	-	2,538,916
-	-	15,970,245
-	-	21,889,443
<hr/>	<hr/>	<hr/>
73,901,218	1,999,743	138,581,819
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<u>\$ 74,599,834</u>	<u>\$ 4,827,519</u>	<u>\$ 156,514,546</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, 2018

Exhibit C-1R

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-1) \$ 138,581,819

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	\$ 263,452,566	
Accumulated depreciation of governmental capital assets	(90,681,955)	172,770,611

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. 4,748,025

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	\$(172,340,000)	
Premium on bonds payable	(14,032,411)	
Accrued interest on the bonds	(709,265)	
Notes payable	(2,482,939)	
Accrued interest on the notes	(14,305)	
Compensated absences	(1,161,773)	
Net pension liability	(21,448,971)	
Net OPEB liability	(37,498,549)	(249,688,213)

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. 1,519,785

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. 3,752,656

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. 14,498,512

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. (7,469,498)

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. 575,392

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. (15,685,714)

TOTAL NET POSITON - GOVERNMENTAL ACTIVITIES (EXHIBIT A-1) \$ 63,603,375

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, 2018

Data Control Codes		199	599
		General Fund	Debt Service Fund
REVENUES			
5700	Local and intermediate sources	\$ 71,264,438	\$ 12,624,502
5800	State program revenues	38,795,272	7,375,492
5900	Federal program revenues	2,027,443	-
5020	Total revenues	112,087,153	19,999,994
EXPENDITURES			
Current:			
0011	Instruction	42,810,649	-
0012	Instructional resources and media services	1,064,598	-
0013	Curriculum and instructional staff development	722,426	-
0021	Instructional leadership	708,474	-
0023	School leadership	5,060,923	-
0031	Guidance, counseling, and evaluation services	2,272,172	-
0032	Social work services	121,431	-
0033	Health services	904,762	-
0034	Student transportation	2,330,608	-
0035	Food services	1,233	-
0036	Extracurricular activities	3,129,746	-
0041	General administration	3,179,911	-
0051	Plant maintenance and operations	30,073,891	-
0052	Security and monitoring services	1,809,030	-
0053	Data processing services	2,527,402	-
0061	Community services	25,322	-
Debt Service:			
0071	Principal on long-term debt	1,029,288	7,400,000
0072	Interest on long-term debt	41,011	4,554,536
0073	Issuance costs and fees	400	3,550
Capital Outlay:			
0081	Facilities acquisition and construction	174,327	-
Intergovernmental:			
0091	Contracted instructional services between schools	420,617	-
0093	Payments related shares services arrangements	324,958	-
0095	Payments to juvenile justice alternative education programs	5,141	-
0099	Other intergovernmental charges	575,532	-
6030	Total expenditures	99,313,852	11,958,086
1100	Excess (deficiency) of revenues over expenditures	12,773,301	8,041,908
OTHER FINANCING SOURCES (USES)			
7911	Capital-related debt issued (regular bonds)	-	-
7916	Premium or discount on issuance of bonds	-	-
7080	Total other financing sources (uses)	-	-
1200	Net change in fund balances	12,773,301	8,041,908
0100	Fund balances - beginning	39,071,869	2,793,780
3000	FUND BALANCES - ENDING	\$ 51,845,170	\$ 10,835,688

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

699	Total	98
Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
\$ 68,830	\$ 1,845,932	\$ 85,803,702
527	535,737	46,707,028
-	14,439,886	16,467,329
<hr/>	<hr/>	<hr/>
69,357	16,821,555	148,978,059
-	8,071,329	50,881,978
-	54,623	1,119,221
-	353,858	1,076,284
-	526,352	1,234,826
-	758,187	5,819,110
-	261,729	2,533,901
-	94,118	215,549
-	37,247	942,009
-	376,900	2,707,508
-	5,253,813	5,255,046
-	357,718	3,487,464
-	19,309	3,199,220
-	543,898	30,617,789
394,301	-	2,203,331
-	28,075	2,555,477
-	140,619	165,941
-	-	8,429,288
-	-	4,595,547
568,847	-	572,797
567,610	-	741,937
-	-	420,617
-	-	324,958
-	-	5,141
-	-	575,532
<hr/>	<hr/>	<hr/>
1,530,758	16,877,775	129,680,471
(1,461,401)	(56,220)	19,297,588
70,000,000	-	70,000,000
5,093,847	-	5,093,847
<hr/>	<hr/>	<hr/>
75,093,847	-	75,093,847
73,632,446	(56,220)	94,391,435
268,772	2,055,963	44,190,384
<hr/>	<hr/>	<hr/>
\$ 73,901,218	\$ 1,999,743	\$ 138,581,819

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, 2018

Exhibit C-3

TOTAL NET CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-2) \$ 94,391,435

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 <i>increased</i>	\$ 1,482,909	
Depreciation expense	(5,968,521)	(4,485,612)

The net effect of miscellaneous transactions involving capital assets (transfers, adjustments and dispositions) is an increase (decrease) to net position. (67,584)

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. 55,156

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	\$ (70,000,000)	
(Premium) discount	(5,093,847)	(75,093,847)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 7,400,000

Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 1,029,288

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</i>) <i>decreased</i>	\$ (506,400)	
Accrued interest on notes payable (<i>increased</i>) <i>decreased</i>	3,600	
Amortization of bond premium and discount	878,555	
Amortization of defeasance costs	(355,884)	19,871

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. (301,769)

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. (242,649)

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, is not reported as expenditures in the governmental funds. The net change consists of the following:

Deferred outflows increased (decreased)	\$ 5,723,230	
Deferred inflows (increased) decreased	(6,046,633)	
Net pension liability (increased) decreased	(1,180,040)	(1,503,443)

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)	\$ 127,077	
Deferred inflows (increased) decreased	(15,685,714)	
Net OPEB liability (increased) decreased	28,703,245	13,144,608

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES (EXHIBIT B-1) \$ 34,345,454

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, 2018

Exhibit D-1

<u>Data Control Codes</u>		<u>Governmental Activities Internal Service Fund</u>
	ASSETS	
	Current assets:	
1110	Cash and cash equivalents	\$ 23,844
1120	Current investments	1,741,580
1260	Due from other funds	90,024
1410	Prepaid items	63,127
	Total current assets	<u>1,918,575</u>
1000	Total assets	1,918,575
	LIABILITIES	
	Current liabilities:	
2110	Accounts payable	9,384
2123	Claims payable - due within one year	90,000
2170	Due to other funds	1,422
	Total current liabilities	<u>100,806</u>
	Noncurrent liabilities:	
2590	Claims payable - due in more than one year	297,984
	Total noncurrent liabilities	<u>297,984</u>
2000	Total liabilities	398,790
	NET POSITION	
3900	Unrestricted	<u>1,519,785</u>
3000	TOTAL NET POSITION	<u><u>\$ 1,519,785</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, 2018

Exhibit D-2

<u>Data Control Codes</u>	<u>Governmental Activities Internal Service Fund</u>
OPERATING REVENUES	
5754 Interfund service provided	\$ 31,861
5020 Total operating revenues	31,861
OPERATING EXPENSES	
6100 Payroll costs	98,783
6200 Professional and contracted services	34,415
6400 Other operating costs	165,676
6030 Total operating expenses	298,874
1100 Operating income (loss)	(267,013)
NONOPERATING REVENUES	
7955 Investment earnings	24,364
8030 Total nonoperating revenues	24,364
1300 Change in net position	(242,649)
0100 Total net position - beginning	1,762,434
3300 TOTAL NET POSITION - ENDING	\$ 1,519,785

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, 2018

Exhibit D-3

	Governmental Activities
	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from District	\$ 33,283
Cash payments for claims, net of stop loss reimbursements	(196,288)
Cash payments for contracted services and supplies and materials	(196,325)
	<hr/>
Net cash used by operating activities	(359,330)
	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received on investments	24,364
Purchase of investments	(54,340)
	<hr/>
Net cash used by investing activities	(29,976)
	<hr/>
Net increase (decrease) in cash and cash equivalents	(389,306)
Cash and cash equivalents at beginning of year	413,150
	<hr/>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 23,844</u>
	<hr/>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES	
Operating income (loss)	\$ (267,013)
Change in assets and liabilities:	
(Increase) decrease in other receivables	7,618
(Increase) decrease in prepaid items	(63,127)
Increase (decrease) in due to other funds	1,422
Increase (decrease) in accounts payable	(11,422)
Increase (decrease) in claims payable	(26,808)
	<hr/>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (359,330)</u>

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

Texas City Independent School District
Statement of Net Position
Fiduciary Funds
For the Fiscal Year Ended August 31, 2018

Exhibit E-1

Data Control Codes		865	
		Private Purpose Trust Funds	Agency Fund
	ASSETS		
	Current assets:		
1110	Cash and cash equivalents	\$ 147,874	\$ 93,563
1120	Current investments	-	72,793
1000	TOTAL ASSETS	<u>147,874</u>	<u>\$ 166,356</u>
	LIABILITIES		
	Current liabilities:		
2110	Accounts payable	-	\$ 3,321
2190	Due to student groups	-	163,035
2000	TOTAL LIABILITIES	<u>-</u>	<u>\$ 166,356</u>
	NET POSITION		
3900	Unrestricted	<u>147,874</u>	
3000	TOTAL NET POSITION	<u>\$ 147,874</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, 2018

Exhibit E-2

Data Control Codes		Private Purpose Trust Funds
	ADDITIONS	
5700	Local and intermediate sources	\$ 19,072
	Total additions	19,072
	DEDUCTIONS	
6200	Professional and contracted services	23,500
	Total deductions	23,500
	Change in net position	(4,428)
	Net position beginning	152,302
	NET POSITION - ENDING	\$ 147,874

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

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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 and a project garden grant.

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. Change in Accounting Principle

In fiscal year 2018, the District implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* – which supersedes GASB Statement No. 45.

The requirements of Statement No. 75 apply to the financial statements of all state and local government employers whose employees are provided postemployment benefits other than pensions (other postemployment benefits or OPEB). This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense related to the OPEB plan. Note disclosure and required supplementary information requirements about the OPEB plan also are addressed. The implementation of Statement No. 75 has no impact on the District's governmental fund financial statements, which continue to report expenditures in the contribution amount determined legislatively. Refer to Note 4.D. for more information regarding the District's OPEB plan. The implementation of Statement No. 75 resulted in the retroactive restatement of the District's beginning net position by \$65,753,479. See Note 4.F. for details of the District's prior period adjustment and restatement of beginning net position.

F. 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.

Texas City Independent School District

Notes to 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.

The 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 revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as required under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and capital leases are reported as other financing sources.

Interest associated with the current fiscal period is considered to be susceptible to accrual and has been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 120 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 120 days of year end). All other revenue items, including property taxes, 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.

G. 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.

Texas City Independent School District

Notes to the Financial Statements

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.

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.

Texas City Independent School District

Notes to the Financial Statements

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.

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 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.

H. 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.

I. 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.

J. 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, 2018, significant encumbrances included in governmental fund balances are as follows:

	<u>Restricted Fund Balance</u>	<u>Assigned Fund Balance</u>
General fund	\$ -	\$ 670,245
Capital projects fund	3,310,250	-
Total encumbrances	<u>\$ 3,310,250</u>	<u>\$ 670,245</u>

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 an 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 & 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 report: Certificates of deposit	20,795,232	-	-	19%	402	Not rated**
Investment measured at amortized cost, not subject to level report: Investment pool: TexPool	\$ 71,054,567	\$ 72,793	\$ -	66%	24	AAAm*
Investments measured at fair value, not subject to level reporting: Money market mutual fund	4,836,814	-	-	5%	28	AAAm
Investment measured at fair value, subject to level report: U.S. government agencies	31,431,112	-	31,431,112	29%	411	Aaa*
Total	\$ 107,322,493	\$ 72,793	\$ 31,431,112	100%		
Portfolio Weighted Average Maturity					180	

* Standard & Poor's or Moody's Rating

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

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

Texas City Independent School District

Notes to the Financial Statements

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 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 pool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, the investment pool 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 pool transacts at a net asset value of \$1.00 per share, has 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, has 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 pool's 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 *Deutsche Government and Agency Securities Portfolio*, a money market mutual fund, is measured at fair value. The portfolio pursues its objective by investing in U.S. Treasury bills, notes, bonds and other obligations issued or guaranteed by the U.S. government, its agencies or instrumentalities and repurchase agreements backed by these securities. The fund has same day liquidity.

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.

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, 2018, District's banks' balances of \$9,215,787 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.

Texas City Independent School District

Notes to the Financial Statements

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	\$ (1,000)
Change in uncollectibles related to debt service property taxes	<u>-</u>
Total change in uncollectibles of the current fiscal year	<u><u>\$ (1,000)</u></u>

Approximately 76% 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 19% of the District’s taxable property value is attributed to one taxpayer. Similarly, the District’s ten largest taxpayers approximate 49% 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, 2018, is as follows:

Funds	Interfund Receivables	Interfund Payables
Governmental funds:		
General fund	\$ 2,768,392	\$ (7,139,488)
Debt service fund	7,049,462	-
Capital project funds	-	(98)
Other governmental funds - nonmajor	-	(2,766,870)
Proprietary fund:		
Internal service fund	<u>90,024</u>	<u>(1,422)</u>
Totals	<u><u>\$ 9,907,878</u></u>	<u><u>\$ (9,907,878)</u></u>

Interfund balances consist of short-term lending/borrowing arrangements that result primarily 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, 2018 was as follows:

	Beginning Balance	Additions	Retirements, Transfers, and Adjustments	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 5,072,706	\$ 47,550	\$ -	\$ 5,120,256
Construction in progress	-	519,435	-	519,435
Total capital assets, not being depreciated	5,072,706	566,985	-	5,639,691
Capital assets, being depreciated:				
Buildings and improvements	239,517,343	137,779	(1,612,308)	238,042,814
Furniture and equipment	17,447,192	778,145	1,544,724	19,770,061
Total capital assets, being depreciated	256,964,535	915,924	(67,584)	257,812,875
Less accumulated depreciation for:				
Buildings and improvements	(75,313,782)	(4,714,448)	-	(80,028,230)
Furniture and equipment	(9,399,652)	(1,254,073)	-	(10,653,725)
Total accumulated depreciation	(84,713,434)	(5,968,521)	-	(90,681,955)
Total capital assets, being depreciated, net	172,251,101	(5,052,597)	(67,584)	167,130,920
Governmental activities capital assets, net	\$ 177,323,807	\$ (4,485,612)	\$ (67,584)	\$ 172,770,611

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

Governmental activities:	
11 Instruction	\$ 3,694,962
12 Instructional resources and media services	76,714
13 Curriculum and instructional staff development	55,443
21 Instructional leadership	87,257
23 School leadership	436,258
31 Guidance, counseling, and evaluation services	198,029
32 Social work services	14,781
33 Health services	60,286
34 Student transportation	219,354
35 Food services	172,950
36 Extracurricular activities	145,006
41 General administration	201,265
51 Plant maintenance and operations	460,538
52 Security and monitoring services	48,142
53 Data processing services	86,896
61 Community services	10,640
Total depreciation expense-governmental activities	\$ 5,968,521

Texas City Independent School District

Notes to the Financial Statements

Construction Commitments

The District has active construction projects as of August 31, 2018. 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
Simms Elementary School	\$ 1,038,870
Guajardo Elementary School	1,038,870
Bayou Road Elementary School	865,725
Total	\$ 2,943,465

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, 2018, was as follows:

	Beginning Balance	Additions (Adjustments)	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 109,740,000	\$ 70,000,000	\$ (7,400,000)	\$ 172,340,000	\$ 11,165,000
Deferred amounts:					
For issuance premiums (CIB's)	9,817,119	5,093,847	(878,555)	14,032,411	-
Total bonds payable, gross	119,557,119	75,093,847	(8,278,555)	186,372,411	11,165,000
Notes payable	3,512,227	-	(1,029,288)	2,482,939	842,939
Workers' compensation	414,792	85,867	(112,675)	387,984	90,000
Compensated absences	860,004	423,434	(121,665)	1,161,773	181,494
Net pension liability	20,268,931	12,465,582	(11,285,542)	21,448,971	-
Net OPEB liability*	66,201,794	6,346	(28,709,591)	37,498,549	-
Governmental activities					
Long-term liabilities	\$ 210,814,867	\$ 88,075,076	\$ (49,537,316)	\$ 249,352,627	\$ 12,279,433

* Per GASB 75, beginning balance for net OPEB liability includes the restatement of net OPEB liability as of September 1, 2017.

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.

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.

Texas City Independent School District
Notes to the Financial Statements

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	\$ 245,000	\$ -	\$ (25,000)	\$ 220,000
2009 BLDG	3.50-5.00%	28,910,000	8/15/2030	14,120,000	-	(1,360,000)	12,760,000
2010A BLDG	2.00-5.00%	25,810,000	8/15/2030	19,920,000	-	(1,170,000)	18,750,000
2011 BLDG	2.00-4.00%	8,845,000	8/15/2030	6,360,000	-	(400,000)	5,960,000
2011 REF	2.00-5.00%	19,410,000	2/15/2025	16,515,000	-	(1,730,000)	14,785,000
2015 REF	2.00-5.00%	44,050,000	8/15/2030	43,680,000	-	(2,715,000)	40,965,000
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	-	70,000,000
Totals				<u>\$ 109,740,000</u>	<u>\$ 70,000,000</u>	<u>\$ (7,400,000)</u>	<u>\$ 172,340,000</u>

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

Year Ending August 31,	Principal	Interest	Total Requirements
2019	11,165,000	7,752,138	18,917,138
2020	10,660,000	6,921,726	17,581,726
2021	11,070,000	6,484,590	17,554,590
2022	11,555,000	5,956,814	17,511,814
2023	12,020,000	5,472,252	17,492,252
2024	12,525,000	4,904,552	17,429,552
2025	13,050,000	4,297,577	17,347,577
2026	8,390,000	3,730,627	12,120,627
2027	8,860,000	3,332,587	12,192,587
2028	9,310,000	2,917,387	12,227,387
2029	9,775,000	2,488,237	12,263,237
2030	10,170,000	2,130,488	12,300,488
2031	1,160,000	1,756,938	2,916,938
2032	1,260,000	1,698,938	2,958,938
2033	1,350,000	1,635,938	2,985,938
2034	1,440,000	1,568,438	3,008,438
2035	2,170,000	1,496,438	3,666,438
2036	2,250,000	1,409,638	3,659,638
2037	2,340,000	1,319,638	3,659,638
2038	2,430,000	1,226,037	3,656,037
2039	2,530,000	1,128,838	3,658,838
2040	2,630,000	1,040,288	3,670,288
2041	2,740,000	948,238	3,688,238
2042	2,850,000	848,913	3,698,913
2043	2,795,000	745,600	3,540,600
2044	2,915,000	633,800	3,548,800
2045	3,035,000	517,200	3,552,200
2046	3,165,000	395,800	3,560,800
2047	3,305,000	269,200	3,574,200
2048	3,425,000	137,000	3,562,000
Totals	<u>\$ 172,340,000</u>	<u>\$ 75,165,855</u>	<u>\$ 247,505,855</u>

Texas City Independent School District

Notes to the Financial Statements

As of August 31, 2018, the District had authorized but unissued bonds in the amount \$61,575,000.

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, 2018, the following outstanding bonds are considered defeased:

2009 General obligation bonds (maturing 2026-2030, callable August 15, 2019)	<u>\$ 9,155,000</u>
Total	<u><u>\$ 9,155,000</u></u>

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	\$ 3,250,000	\$ -	\$ (800,000)	\$ 2,450,000
2012 SECO Note	2.00%	1,450,752	2/28/2019	262,227	-	(229,288)	32,939
Totals				<u>\$ 3,512,227</u>	<u>\$ -</u>	<u>\$ (1,029,288)</u>	<u>\$ 2,482,939</u>

Requirements for notes payable are as follows:

Year Ending August 31,	Principal	Interest	Total Requirements
2019	842,939	29,484	872,423
2020	815,000	20,510	835,510
2021	825,000	11,138	836,138
Totals	<u>\$ 2,482,939</u>	<u>\$ 61,132</u>	<u>\$ 2,544,071</u>

Texas City Independent School District

Notes to the Financial Statements

F. Fund Balance

Other committed fund balance includes the following commitments of funds:

Nonmajor fund - campus activity	\$ 974,477
Total other committed fund balance	\$ 974,477

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 - purchases on order	670,245
Total other assigned fund balance	\$ 15,970,245

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	\$ 54,475,514	\$ 12,301,245	\$ -	\$ -	\$ 66,776,759
Investment earnings	796,516	323,257	47,080	13,044	1,179,897
Food service	-	-	-	587,781	587,781
Extracurricular student activities	106,160	-	-	1,245,107	1,351,267
Foreign trade zone tax equivalency payment	1,969,816	-	-	-	1,969,816
Other	13,916,432	-	21,750	-	13,938,182
Totals	\$ 71,264,438	\$ 12,624,502	\$ 68,830	\$ 1,845,932	\$ 85,803,702

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, 2018, 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, 2018, 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, 2018, 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 8/31/2018	Year Ended 8/31/2017
Unpaid claims, beginning of fiscal year	\$ 414,792	\$ 717,541
Incurred claims, including provision (adjustment) for IBNR	85,867	(232,985)
Claim payments	(112,675)	(69,764)
Unpaid claims, end of fiscal year	\$ 387,984	\$ 414,792

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, 2018, 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). It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

Pension Plan Fiduciary Net Position

Detailed information about the 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.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided

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

Contributions

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

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 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for plan fiscal years 2016 and 2017 and the 85th Texas Legislature, GAA established the employer contribution rates for plan fiscal years 2018 and 2019. Rates for such plan fiscal years are as follows:

	2018	2017	2016
Member	7.7%	7.7%	7.2%
Non-employer contributing entity (state)	6.8%	6.8%	6.8%
Employers/district	6.8%	6.8%	6.8%

The contribution amounts for the District's fiscal year 2018 are as follows:

District contributions	\$ 2,087,351
Member contributions	4,655,671
NECE on-behalf contributions (state)	2,807,176

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 was determined using the following actuarial assumptions:

Valuation date	August 31, 2017
Actuarial cost method	Individual entry age normal
Asset valuation method	Market value
Single discount rate	8.00%
Long-term expected rate	8.00%
Municipal bond rate	N/A*
Last year ending August 31 in the 2017 to 2116 projection period (100 years)	2116
Inflation	2.50%
Salary increases	3.50% to 9.50% including inflation
Ad hoc post-employment benefit changes	None

*If a municipal bond rate was to be used, the rate would be 3.42% as of August 2017 (i.e. the rate closest to but not later than the Measurement Date). The 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."

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2014 and adopted on September 24, 2015.

Texas City Independent School District

Notes to the Financial Statements

Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8.0%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2017 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns*
Global equity:			
U.S.	18.0%	4.6%	1.0%
Non-U.S. developed	13.0%	5.1%	0.8%
Emerging markets	9.0%	5.9%	0.7%
Directional hedge funds	4.0%	3.2%	0.1%
Private equity	13.0%	7.0%	1.1%
Stable value:			
U.S. treasuries	11.0%	0.7%	0.1%
Absolute return	0.0%	1.8%	0.0%
Stable value hedge funds	4.0%	3.0%	0.1%
Cash	1.0%	(0.2%)	0.0%
Real return:			
Global inflation linked bonds	3.0%	0.9%	0.0%
Real assets	16.0%	5.1%	1.1%
Energy and natural resources	3.0%	6.6%	0.2%
Commodities	0.0%	1.2%	0.0%
Risk parity:			
Risk parity	5.0%	6.7%	0.3%
Inflation expectation			2.2%
Alpha			1.0%
Totals	100.0%		8.7%

*The expected contribution to 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 8.0%, 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 (7%) or 1% higher (9%) than the current rate:

1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
\$ 36,158,727	\$ 21,448,971	\$ 9,200,711

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

At August 31, 2018, the District reported a liability of \$21,448,971 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	\$ 21,448,971
State's proportionate share of the net pension liability associated with the district	<u>25,889,561</u>
Total	<u><u>\$ 47,338,532</u></u>

The net pension liability was measured as of August 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2016 through August 31, 2017.

At August 31, 2017, the employer's proportion of the collective net pension liability was 0.0670813% which was a decrease of 0.00134435% from its proportion measured as of August 31, 2016.

Changes Since the Prior Actuarial Valuation

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

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

For the fiscal year ended August 31, 2018, the District recognized pension expense of \$5,565,547 and revenue of \$1,974,753 for support provided by the State.

Texas City Independent School District

Notes to the Financial Statements

At August 31, 2018, 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	\$ 313,808	\$ 1,156,715
Changes of assumptions	977,035	559,330
Net difference between projected and actual earnings on pension plan investments	-	1,563,154
Changes in proportion and differences between district contributions and proportionate share of contributions (cost-sharing plan)	11,120,318	4,190,299
District contribution after measurement date	2,087,351	-
Totals	\$ 14,498,512	\$ 7,469,498

\$2,087,351 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2019. 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,	
2019	\$ 735,934
2020	2,105,077
2021	630,731
2022	237,669
2023	730,565
Thereafter	501,687
Totals	\$ 4,941,663

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.

OPEB Plan Fiduciary Net Position

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

Texas City Independent School District

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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 the average retiree with Medicare Parts A&B coverage, with 20 to 29 years of service for the basic plan and the two optional plans.

TRS-Care Plan Premium Rates
Effective September 1, 2016-December 31, 2017

	TRS-Care 1 Basic Plan	TRS-Care 2 Optional Plan	TRS-Care 3 Optional Plan
Retiree*	\$ -	\$ 70	\$ 100
Retiree and spouse	20	175	255
Retiree* and children	41	132	182
Retiree and family	61	237	337
Surviving children only	28	62	82

* or surviving spouse

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 1.0% 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.

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

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Notes to the Financial Statements

The contribution amounts for the District's fiscal year 2018 are as follows:

District contributions	\$ 569,522
Member contributions	392,982
NECE on-behalf contributions (state)	857,807

In addition, the State of Texas contributed \$187,514, \$179,749, and \$110,786 in 2018, 2017 and 2016, 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 employers hire a TRS retiree, they are required to pay to TRS Care, a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$15.6 million in fiscal year 2017 and \$212 million in fiscal year 2018.

Actuarial Assumptions

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 are identical to those which were adopted by the Board in 2015 and are based on the 2014 actuarial experience study of TRS.

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates were based on the 2015 TRS of Texas Healthy Pensioner Mortality Tables.

The following additional actuarial methods and assumptions were employed in the August 31, 2017 actuarial valuation of the total OPEB liability:

Valuation date	August 31, 2017
Actuarial cost method	Individual entry age normal
Inflation	2.50%
Discount rate*	3.42%*
Aging factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll growth rate	2.50%
Projected salary increases**	3.50% to 9.50%**
Healthcare trend rates***	4.50% to 12.00%***
Election rates	Normal retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad hoc post-employment benefit changes	None

*Source: 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, 2017.

**Includes inflation at 2.50%

***Initial trend rates are 7.00% for non-Medicare retiree; 10.00% for Medicare retirees and 12.00% for prescriptions for all retirees. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 10 years.

Texas City Independent School District

Notes to the Financial Statements

Discount Rate

A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of 0.44% 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 schedule shows the impact of the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.42%) in measuring the net OPEB liability.

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

1% Decrease (2.42%)	Current Discount Rate (3.42%)	1% Increase (4.42%)
\$44,257,597	\$37,498,549	\$32,065,799

Healthcare Cost Trend Rates

The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 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	Current Healthcare Cost Trend Rate	1% Increase
\$31,221,288	\$37,498,549	\$45,735,106

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

At August 31, 2018, the District reported a liability of \$37,498,549 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	\$37,498,549
State’s proportionate share of the net OPEB liability associated with the District	44,689,617
Total	<u>\$82,188,166</u>

Texas City Independent School District

Notes to the Financial Statements

The net OPEB liability was measured as of August 31, 2017 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, 2016 through August 31, 2017.

At August 31, 2017 the employer's proportion of the collective net OPEB liability was 0.0862308% which was the same proportion measured as of August 31, 2016.

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:

1. Significant plan changes were adopted during the fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates.
2. The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
3. The discount rate changed from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017. This change lowered the total OPEB liability.

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

GASB 75 requires the District to record OPEB expense for the amount of the State's proportionate share of collective OPEB expense that is associated with the District, and record revenue in the same amount for the support provided by the State. For the measurement period ended August 31, 2017, the State's proportionate share of collected OPEB expense was a negative expense of \$8,504,163,580 and the portion of that amount that is associated with the District is a negative expense of \$14,954,334. This amount is recorded as a negative revenue and negative expense for the year ended August 31, 2018.

For the year ended August 31, 2018, the District recognized total negative OPEB expense of \$27,529,420 which includes both the District's proportionate share of collective OPEB expense and the portion of the State's proportionate share of collective OPEB expense that is associated with the District, as described above.

Texas City Independent School District

Notes to the Financial Statements

At August 31, 2018, 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 post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 782,811
Changes of assumptions	-	14,902,903
Net difference between projected and actual earnings on pension plan investments	5,696	-
Changes in proportion and differences between District contributions and proportionate share of contributions (cost-sharing plan)	174	-
District contributions after measurement date	569,522	-
Totals	<u>\$ 575,392</u>	<u>\$15,685,714</u>

\$569,522 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2019. 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 June 30,	
2019	\$ (2,068,974)
2020	(2,068,974)
2021	(2,068,974)
2022	(2,068,974)
2023	(2,070,398)
Thereafter	<u>(5,333,550)</u>
Total	<u>\$ (15,679,844)</u>

E. Nonmonetary Transactions

During 2018, the District received textbooks purchased by the State of Texas for the benefit of the District for a purchase price of \$481,521. The District receives the textbooks as part of state funding for textbook allotment. The textbooks have been recorded in the amount of \$481,521 in a special revenue fund as both state revenues and expenditures, which represents the amount of consideration given by the State of Texas.

Texas City Independent School District

Notes to the Financial Statements

F. Prior Period Adjustment

Net position at September 1, 2017 was restated per the following table for the implementation of GASB 75, as previously noted in Note 1.E and Note 4.D.:

	<u>Governmental Activities</u>
Beginning net position, as originally reported	\$ 95,011,400
Implementation of GASB 75 for OPEB	<u>(65,753,479)</u>
Beginning net position, restated	<u>\$ 29,257,921</u>

G. 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.

Interlocal Agreement:

The District participates in an interlocal agreement with Harris County Department of Education for the purpose of providing educational and related services for eligible students with disabilities of the District. The expenditures attributable to the District's participation totaled \$211,500 for the fiscal year.

Required Supplementary Information

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, 2018

Exhibit G-1

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
REVENUES:					
5700	Local and intermediate sources	\$ 54,284,300	\$ 70,863,084	\$ 71,264,438	\$ 401,354
5800	State program revenues	35,771,722	37,187,631	38,795,272	1,607,641
5900	Federal program revenues	1,728,324	6,938,363	2,027,443	(4,910,920)
5020	Total revenues	91,784,346	114,989,078	112,087,153	(2,901,925)
EXPENDITURES:					
Current:					
0011	Instruction	43,907,488	44,856,647	42,810,649	2,045,998
0012	Instructional resources and media services	1,096,578	1,118,651	1,064,598	54,053
0013	Curriculum and instructional staff development	1,057,673	1,068,244	722,426	345,818
0021	Instructional leadership	692,410	731,003	708,474	22,529
0023	School leadership	4,955,861	5,094,015	5,060,923	33,092
0031	Guidance, counseling, and evaluation services	2,370,552	2,371,866	2,272,172	99,694
0032	Social work services	134,080	148,023	121,431	26,592
0033	Health services	911,276	1,007,413	904,762	102,651
0034	Student transportation	2,735,821	2,481,735	2,330,608	151,127
0035	Food services	-	1,500	1,233	267
0036	Extracurricular activities	2,825,086	3,243,106	3,129,746	113,360
0041	General administration	3,406,773	3,483,339	3,179,911	303,428
0051	Plant maintenance and operations	12,393,909	33,218,891	30,073,891	3,145,000
0052	Security and monitoring services	1,611,212	2,248,582	1,809,030	439,552
0053	Data processing services	2,607,899	2,777,480	2,527,402	250,078
0061	Community services	25,431	35,796	25,322	10,474
Debt services:					
0071	Principal on long-term debt	1,024,761	1,029,761	1,029,288	473
0072	Interest on long-term debt	47,594	47,594	41,011	6,583
0073	Issuance costs and fees	-	1,000	400	600
Capital outlay:					
0081	Facilities acquisition and construction	-	626,514	174,327	452,187
Intergovernmental:					
0091	Contracted instructional services between schools	1,177,900	1,831,838	420,617	1,411,221
0093	Payments related shares services arrangements	485,415	485,415	324,958	160,457
0095	Payments to juvenile justice alternative education programs	47,500	50,180	5,141	45,039
0099	Other intergovernmental charges	585,412	595,412	575,532	19,880
6030	Total expenditures	84,100,631	108,554,005	99,313,852	9,240,153
1200	Net change in fund balance	7,683,715	6,435,073	12,773,301	6,338,228
0100	Fund balance - beginning	39,071,869	39,071,869	39,071,869	-
3000	FUND BALANCE - ENDING	<u>\$ 46,755,584</u>	<u>\$ 45,506,942</u>	<u>\$ 51,845,170</u>	<u>\$ 6,338,228</u>

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

Texas City Independent School District

Exhibit G-2

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 Four Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015**</u>
District's proportion of the net pension liability	0.0670813%	0.0536378%	0.0551546%	0.0370889%
District's proportionate share of the net pension liability	\$ 21,448,971	\$ 20,268,931	\$ 19,496,417	\$ 9,906,958
State's proportionate share of the net pension liability associated with the District	25,889,561	28,937,450	29,089,883	25,393,310
TOTALS	<u>\$ 47,338,532</u>	<u>\$ 49,206,381</u>	<u>\$ 48,586,300</u>	<u>\$ 35,300,268</u>
District's covered payroll	60,256,723	50,996,372	50,195,373	45,436,168
District's proportionate share of the net pension liability as a percentage of its covered payroll	35.60%	39.75%	38.84%	21.80%
Plan fiduciary net position as a percentage of the total pension liability	82.17%	78.00%	78.43%	83.25%

* 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.

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

Exhibit G-3

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015**</u>
TRS				
Contractually required contributions	\$ 2,087,351	\$ 2,198,532	\$ 1,702,088	\$ 1,633,154
Contributions in relation to the contractually required contributions	<u>(2,087,351)</u>	<u>(2,198,532)</u>	<u>(1,702,088)</u>	<u>(1,633,154)</u>
CONTRIBUTION DEFICIENCY (EXCESS)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 60,458,695	\$ 60,256,723	\$ 50,996,372	\$ 50,195,373
Contributions as a percentage of covered payroll	3.45%	3.65%	3.34%	3.25%

*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.

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 Fiscal Year*

	<u>2018</u>
District's proportion of the net OPEB liability	0.0862308%
District's proportionate share of the net OPEB liability	\$ 37,498,549
State's proportionate share of the net OPEB liability associated with the District	<u>44,689,617</u>
TOTALS	<u><u>\$ 82,188,166</u></u>
District's covered payroll	\$ 60,256,723
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	62.23%
Plan fiduciary net position as a percentage of the total OPEB liability	0.91%

* The amounts presented for the fiscal year was 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 Fiscal Year*

Exhibit G-5

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

* The amounts presented for the fiscal year was determined as of the District's fiscal year end June 30.
 Ten years of data is not available.

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, 2018

		204	205
<u>Data Control Codes</u>		<u>Title IV, Part A, Subpart 1</u>	<u>Head Start</u>
ASSETS			
1110	Cash and cash equivalents	\$ -	\$ -
1120	Current investments	-	-
1240	Due from other governments	27,500	469,455
1290	Other receivables	-	-
1300	Inventories	-	-
1410	Prepaid items	-	-
		<hr/>	<hr/>
1000	TOTAL ASSETS	<u>\$ 27,500</u>	<u>\$ 469,455</u>
LIABILITIES			
2110	Accounts payable	\$ -	\$ 3,623
2150	Payroll and withholdings	-	5
2170	Due to other funds	27,500	465,827
2300	Unearned revenue	-	-
		<hr/>	<hr/>
2000	Total liabilities	27,500	469,455
FUND BALANCES			
3450	Restricted - grants	-	-
3545	Committed - other	-	-
		<hr/>	<hr/>
3000	Total fund balances	-	-
		<hr/>	<hr/>
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 27,500</u>	<u>\$ 469,455</u>

206	211	224	225	240	244
ESSA, Title X, Part C - Education for the Homeless Children and Youth	ESSA Title I, Part A - Improving Basic Programs	IDEA - B Formula	IDEA - B Preschool Grant	National School Breakfast/Lunch Program	Career and Technical Basic Grant
\$ -	\$ -	\$ -	\$ -	\$ 184,525	\$ -
-	-	-	-	770,322	-
25,140	295,155	143,471	4,577	239,051	5,413
-	-	-	-	28,649	-
-	-	-	-	72,352	-
-	111,809	9,840	-	-	-
<u>\$ 25,140</u>	<u>\$ 406,964</u>	<u>\$ 153,311</u>	<u>\$ 4,577</u>	<u>\$ 1,294,899</u>	<u>\$ 5,413</u>
\$ -	\$ 2,835	\$ -	\$ -	\$ 19,784	\$ -
-	8	7	-	10	-
25,140	404,121	153,304	4,577	249,839	5,413
-	-	-	-	-	-
25,140	406,964	153,311	4,577	269,633	5,413
-	-	-	-	1,025,266	-
-	-	-	-	-	-
-	-	-	-	1,025,266	-
<u>\$ 25,140</u>	<u>\$ 406,964</u>	<u>\$ 153,311</u>	<u>\$ 4,577</u>	<u>\$ 1,294,899</u>	<u>\$ 5,413</u>

Texas City Independent School District

Combining Balance Sheet

Nonmajor Governmental Funds - Special Revenue Funds - Continued

August 31, 2018

<u>Data Control Codes</u>		255	263
		ESSA Title II, Part A: Teacher & Principal Training & Recruiting	Title III, Part A, English Language Acquisition and Enhancement
ASSETS			
1110	Cash and cash equivalents	\$ -	\$ -
1120	Current investments	-	-
1240	Due from other governments	119,085	4,696
1290	Other receivables	-	-
1300	Inventories	-	-
1410	Prepaid items	-	-
1000	TOTAL ASSETS	<u>\$ 119,085</u>	<u>\$ 4,696</u>
LIABILITIES			
2110	Accounts payable	\$ 12,245	\$ -
2150	Payroll and withholdings	1	-
2170	Due to other funds	106,839	4,696
2300	Unearned revenue	-	-
2000	Total liabilities	119,085	4,696
FUND BALANCES			
3450	Restricted - grants	-	-
3545	Committed - other	-	-
3000	Total fund balances	-	-
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 119,085</u>	<u>\$ 4,696</u>

265	287	289	410	415
Title IV, Part B - 21st Century Community Learning Centers	Project Services Hurricane Recovery	Other Federally Funded Grants	State Textbook Fund	Pre-K Grant Program
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	18,864	-
219,167	-	1,093,269	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 219,167</u>	<u>\$ -</u>	<u>\$ 1,093,269</u>	<u>\$ 18,864</u>	<u>\$ -</u>
\$ 5,457	\$ -	\$ -	\$ -	\$ -
9	-	-	-	-
213,701	-	1,093,269	12,644	-
-	-	-	6,220	-
219,167	-	1,093,269	18,864	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 219,167</u>	<u>\$ -</u>	<u>\$ 1,093,269</u>	<u>\$ 18,864</u>	<u>\$ -</u>

Texas City Independent School District

Combining Balance Sheet

Nonmajor Governmental Funds - Special Revenue Funds - Continued

August 31, 2018

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Data Control Codes		Other State Funded Grants	Campus Activity Fund
	ASSETS		
1110	Cash and cash equivalents	\$ -	\$ 54,624
1120	Current investments	2,800	926,787
1240	Due from other governments	-	-
1290	Other receivables	-	968
1300	Inventories	-	-
1410	Prepaid items	-	-
1000	TOTAL ASSETS	\$ 2,800	\$ 982,379
	LIABILITIES		
2110	Accounts payable	\$ -	\$ 7,902
2150	Payroll and withholdings	-	-
2170	Due to other funds	-	-
2300	Unearned revenue	2,800	-
2000	Total liabilities	2,800	7,902
	FUND BALANCES		
3450	Restricted - grants	-	-
3545	Committed - other	-	974,477
3000	Total fund balances	-	974,477
4000	TOTAL LIABILITIES AND FUND BALANCES	\$ 2,800	\$ 982,379

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Teacher Stipends	Total Nonmajor Funds (See Exhibit C-1)
\$ -	\$ 239,149
-	1,718,773
-	2,645,979
-	29,617
-	72,352
-	121,649
<u>\$ -</u>	<u>\$ 4,827,519</u>
\$ -	\$ 51,846
-	40
-	2,766,870
-	9,020
-	2,827,776
-	1,025,266
-	974,477
-	1,999,743
<u>\$ -</u>	<u>\$ 4,827,519</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, 2018

		204	205
Data Control Codes		Title IV, Part A, Subpart 1	Head Start
REVENUES			
5700	Local and intermediate sources	\$ -	\$ -
5800	State program revenues	-	-
5900	Federal program revenues	27,500	1,216,425
5020	Total revenues	27,500	1,216,425
EXPENDITURES			
Current:			
0011	Instruction	27,500	811,577
0012	Instructional resources and media services	-	-
0013	Curriculum and instructional staff development	-	82,122
0021	Instructional leadership	-	-
0023	School leadership	-	105,836
0031	Guidance, counseling, and evaluation services	-	-
0032	Social work services	-	-
0033	Health services	-	23,436
0034	Student transportation	-	65,767
0035	Food services	-	-
0036	Extracurricular activities	-	-
0041	General administration	-	-
0051	Plant maintenance and operations	-	-
0053	Data processing services	-	-
0061	Community services	-	127,687
6030	Total expenditures	27,500	1,216,425
1200	Net change in fund balances	-	-
0100	Fund balances - beginning	-	-
3000	FUND BALANCES - ENDING	\$ -	\$ -

206 ESSA, Title X, Part C - Education for the Homeless Children and Youth	211 ESSA Title I, Part A - Improving Basic Programs	224 IDEA - B Formula	225 IDEA - B Preschool Grant	240 National School Breakfast/Lunch Program	244 Career and Technical Basic Grant
\$ -	\$ -	\$ -	\$ -	\$ 600,825	\$ -
-	-	-	-	27,658	-
37,150	2,621,364	1,613,643	59,549	4,589,193	131,725
37,150	2,621,364	1,613,643	59,549	5,217,676	131,725
2,501	2,509,592	1,310,738	59,549	-	128,582
-	-	-	-	-	-
-	11,663	9,253	-	-	3,143
-	-	-	-	-	-
-	-	56,523	-	-	-
-	-	237,129	-	-	-
4,009	90,109	-	-	-	-
9,319	-	-	-	-	-
20,663	10,000	-	-	-	-
-	-	-	-	5,253,813	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
658	-	-	-	-	-
37,150	2,621,364	1,613,643	59,549	5,253,813	131,725
-	-	-	-	(36,137)	-
-	-	-	-	1,061,403	-
\$ -	\$ -	\$ -	\$ -	\$ 1,025,266	\$ -

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, 2018

<u>Data Control Codes</u>		255	263
		ESSA Title II, Part A: Teacher & Principal Training & Recruiting	Title III, Part A, English Language Acquisition and Enhancement
REVENUES			
5700	Local and intermediate sources	\$ -	\$ -
5800	State program revenues	-	-
5900	Federal program revenues	284,463	51,782
5020	Total revenues	284,463	51,782
EXPENDITURES			
Current:			
0011	Instruction	61,685	37,134
0012	Instructional resources and media services	-	-
0013	Curriculum and instructional staff development	222,453	14,648
0021	Instructional leadership	325	-
0023	School leadership	-	-
0031	Guidance, counseling, and evaluation services	-	-
0032	Social work services	-	-
0033	Health services	-	-
0034	Student transportation	-	-
0035	Food services	-	-
0036	Extracurricular activities	-	-
0041	General administration	-	-
0051	Plant maintenance and operations	-	-
0053	Data processing services	-	-
0061	Community services	-	-
6030	Total expenditures	284,463	51,782
1200	Net change in fund balances	-	-
0100	Fund balances - beginning	-	-
3000	FUND BALANCES - ENDING	\$ -	\$ -

265	287	289	410	415
Title IV, Part B - 21st Century Community Learning Centers	Project Services Hurricane Recovery	Other Federally Funded Grants	State Textbook Fund	Pre-K Grant Program
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	481,520	17,859
2,694,813	14,261	1,098,018	-	-
2,694,813	14,261	1,098,018	481,520	17,859
1,458,356	-	578,686	481,520	17,859
-	-	-	-	-
9,576	-	-	-	-
526,027	-	-	-	-
407,708	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
266,209	14,261	-	-	-
-	-	-	-	-
26,054	-	-	-	-
-	-	-	-	-
-	-	519,332	-	-
-	-	-	-	-
883	-	-	-	-
2,694,813	14,261	1,098,018	481,520	17,859
-	-	-	-	-
-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -

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, 2018

		429	461
Data Control Codes		Other State Funded Grants	Campus Activity Fund
REVENUES:			
5700	Local and intermediate sources	\$ -	\$ 1,245,107
5800	State program revenues	8,050	-
5900	Federal program revenues	-	-
5020	Total revenues	8,050	1,245,107
EXPENDITURES			
Current:			
0011	Instruction	7,700	578,350
0012	Instructional resources and media services	-	54,623
0013	Curriculum and instructional staff development	350	-
0021	Instructional leadership	-	-
0023	School leadership	-	188,120
0031	Guidance, counseling, and evaluation services	-	24,600
0032	Social work services	-	-
0033	Health services	-	4,492
0034	Student transportation	-	-
0035	Food services	-	-
0036	Extracurricular activities	-	331,664
0041	General administration	-	19,309
0051	Plant maintenance and operations	-	24,566
0053	Data processing services	-	28,075
0061	Community services	-	11,391
6030	Total expenditures	8,050	1,265,190
1200	Net change in fund balances	-	(20,083)
0100	Fund balances - beginning	-	994,560
3000	FUND BALANCES - ENDING	\$ -	\$ 974,477

480

Teacher Stipends	Total Nonmajor Funds (See Exhibit C-2)
\$ -	\$ 1,845,932
650	535,737
-	14,439,886
650	16,821,555
-	8,071,329
-	54,623
650	353,858
-	526,352
-	758,187
-	261,729
-	94,118
-	37,247
-	376,900
-	5,253,813
-	357,718
-	19,309
-	543,898
-	28,075
-	140,619
650	16,877,775
-	(56,220)
-	2,055,963
<u>\$ -</u>	<u>\$ 1,999,743</u>

Texas City Independent School District
Combining Statement Net Position
Private Purpose Trust Funds
August 31, 2018

Exhibit H-3

Data Control Codes	848 Employee Scholarship Fund	849 Heatherington Scholarship	Total Private Purpose Trust Funds (See Exhibit E-1)
ASSETS			
Current assets:			
1110	\$ 108,200	\$ 39,674	\$ 147,874
	108,200	39,674	147,874
1000	108,200	39,674	147,874
LIABILITIES			
Current liabilities:			
2110	-	-	-
	-	-	-
2000	-	-	-
NET POSITION			
3900	108,200	39,674	147,874
3000	\$ 108,200	\$ 39,674	\$ 147,874

Texas City Independent School District
Combining Statement of Changes in Net Position
Private Purpose Trust Funds
For the Fiscal Year Ended August 31, 2018

Exhibit H-4

<u>Data Control Codes</u>	848	849	Total Private Purpose Trust Funds (See Exhibit E-2)
	<u>Employee Scholarship Fund</u>	<u>Heatherington Scholarship</u>	
ADDITIONS			
5700 Local and intermediate sources	\$ 19,053	\$ 19	\$ 19,072
5020 Total additions	19,053	19	19,072
DEDUCTIONS			
6200 Professional and contracted services	23,500	-	23,500
6030 Total deductions	23,500	-	23,500
1200 Change in net position	(4,447)	19	(4,428)
0100 Net position - beginning	112,647	39,655	152,302
3000 NET POSITION - ENDING	<u>\$ 108,200</u>	<u>\$ 39,674</u>	<u>\$ 147,874</u>

Texas City Independent School District
 Schedule of Delinquent Taxes Receivable
 For The Fiscal Year Ended August 31, 2018

Year Ended August 31,	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance	Debt Service	Maintenance	Debt Service		
2009 and Prior Years	\$	Various	\$	Various	\$	Various
2010		1.040000		0.176000		4,118,093,421
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 (School year under audit)		1.170000		0.264900		4,618,250,749

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 9/1/17	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/18
\$ 1,519,389	\$ -	\$ 48,246	\$ 3,247	\$ (69,000)	\$ 1,398,896
169,528	-	11,971	1,611	(7,452)	148,494
179,808	-	14,602	2,527	(7,974)	154,705
184,736	-	20,138	4,841	(7,363)	152,394
202,718	-	25,347	6,337	(6,129)	164,905
237,185	-	36,315	8,031	(3,059)	189,780
319,972	-	59,099	14,206	(2,857)	243,810
551,162	-	154,085	32,595	130	364,612
1,375,371	-	443,300	98,435	(52,156)	781,480
-	66,267,280	53,057,556	12,012,775	-	1,196,949
<u>\$ 4,739,869</u>	<u>\$ 66,267,280</u>	<u>\$ 53,870,659</u>	<u>\$ 12,184,605</u>	<u>\$ (155,860)</u>	<u>\$ 4,796,025</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, 2018

Exhibit J-2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
REVENUES:					
5700	Local and intermediate sources	\$ 376,336	\$ 541,072	\$ 600,825	\$ 59,753
5800	State program revenues	57,469	57,469	27,658	(29,811)
5900	Federal program revenues	4,992,083	5,347,902	4,589,193	(758,709)
5020	Total revenues	5,425,888	5,946,443	5,217,676	(728,767)
EXPENDITURES:					
Current:					
0035	Food services	5,406,519	6,032,062	5,253,813	778,249
6030	Total expenditures	5,406,519	6,032,062	5,253,813	778,249
1200	Net change in fund balance	19,369	(85,619)	(36,137)	49,482
0100	Fund balance - beginning	1,061,403	1,061,403	1,061,403	-
3000	FUND BALANCE - ENDING	<u>\$ 1,080,772</u>	<u>\$ 975,784</u>	<u>\$ 1,025,266</u>	<u>\$ 49,482</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, 2018

Exhibit J-3

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
REVENUES:					
5700	Local and intermediate sources	\$ 11,739,527	\$ 12,649,527	\$ 12,624,502	\$ (25,025)
5800	State program revenues	293,097	363,368	7,375,492	7,012,124
5020	Total revenues	12,032,624	13,012,895	19,999,994	6,987,099
EXPENDITURES:					
Debt service:					
0071	Principal on long-term debt	7,375,000	7,400,000	7,400,000	-
0072	Interest on long-term debt	4,644,183	4,644,183	4,554,536	89,647
0073	Issuance costs and fees	5,250	5,250	3,550	1,700
6030	Total expenditures	12,024,433	12,049,433	11,958,086	91,347
1200	Net change in fund balance	8,191	963,462	8,041,908	7,078,446
0100	Fund balance - beginning	2,793,780	2,793,780	2,793,780	-
3000	FUND BALANCE - ENDING	\$ 2,801,971	\$ 3,757,242	\$ 10,835,688	\$ 7,078,446

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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 fiscal year ended August 31, 2018 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 15, 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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. 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. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

The Board of Trustees of
Texas City Independent School District

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
January 15, 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 fiscal year ended August 31, 2018. 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 fiscal year ended August 31, 2018.

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 have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of 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
January 15, 2019

Texas City Independent School District
 Schedule of Findings and Questioned Costs
 For the Fiscal Year Ended August 31, 2018

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? | None reported |
| 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 | Child Nutrition Cluster
10.553 & 10.555
84.938 A, C & G Hurricane Recovery Grants |
| 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 |

Section 2. Financial Statement Findings

None reported

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, 2018

Prior Year Findings

None reported

Texas City Independent School District
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended August 31, 2018

Exhibit K-1

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed Through Texas Education Agency: ESEA, Title I, Part A	84.010A	18610101084906	\$ 2,679,971
Special Education Cluster (IDEA):			
IDEA-B Formula	84.027A	186600010849066600	1,649,655
IDEA-B Preschool	84.173A	186610010849066610	<u>60,909</u>
Total Special Education Cluster (IDEA)			1,710,564
Carl D. Perkins Basic Grant	84.048A	18420006084906	131,725
21st Century Cycle 9 - Year 2	84.287C	186950247110028	833,979
21st Century Cycle 9 - Year 3	84.287C	196950247110028	34,246
21st Century Cycle 8 - Year 5	84.287C	186950197110020	1,733,357
21st Century Cycle 10 - Year 1	84.287C	196950267110047	<u>113,228</u>
Total program 84.287C			2,714,810
Title III , Part A, ELA	84.365A	18671001084906	53,063
Title II, Part A, Teacher/Principal Training	84.367A	18694501084906	288,641
Project SERV Hurricane Recovery Grant	84.938G	18510701084906	14,261
Restart Hurricane Recovery	84.938A	18511701084906	519,332
Emergency Impact Aid to LEAs	84.938C	51271901	<u>573,937</u>
Total program 84.938 A, C, & G			1,107,530
Title IV, Part A, Subpart 1	84.424A	18680101084906	27,500
Summer School LEP	84.369A	69551702	<u>4,749</u>
Total Passed Through Texas Education Agency			8,718,553
Passed Through Region ESC 10: Texas Support for Homeless Education Program (TEXSHEP)	84.196A	18-032	<u>37,150</u>
Total Passed Through Region ESC 10			<u>37,150</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			8,755,703
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct:			
Head Start	93.600	06CH7065-05-00	280,605
Head Start	93.600	06CH7065-06-00	<u>935,820</u>
Total Program 93.600			<u>1,216,425</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			1,216,425
U.S. DEPARTMENT OF AGRICULTURE			
Child Nutrition Cluster:			
Passed Through State Department of Agriculture - Non-Cash Assistance: National School Lunch Program	10.555	084-906	355,819
Passed Through Texas Education Agency - Cash Assistance: School Breakfast Program	10.553	71400801	1,154,210
National School Lunch Program	10.555	71300801	<u>3,079,164</u>
Total Child Nutrition Cluster			<u>4,589,193</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>4,589,193</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 14,561,321</u>

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

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

Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Texas City Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *Single Audit Act Amendments of 1996 and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

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

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

Presented below is a reconciliation of federal revenues:

Total expenditures of federal awards per Exhibit K-1	\$ 14,561,321
General fund - federal revenue:	
Student Health and Related Services Program (SHARS)	1,799,903
E-Rate	28,322
ROTC	<u>77,783</u>
Total federal revenues per Exhibit C-2	<u><u>\$ 16,467,329</u></u>

Texas City Independent School District
 Schedule of Required Responses to
 Selected School FIRST Indicators (Unaudited)
 For the Fiscal Year Ended August 31, 2018

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.	\$ 21,448,971