

**TEXAS CITY INDEPENDENT  
SCHOOL DISTRICT**

**ANNUAL FINANCIAL AND  
COMPLIANCE REPORT**

**Year Ended August 31, 2016**



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**CERTIFICATE OF THE BOARD**

**Texas City Independent School District**  
Name of School District

**Galveston**  
County

**084-906**  
Co. - Dist. No.

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and approved for the year ended August 31, 2016, at a meeting of the board of trustees of such school district on January 19, 2017.

\_\_\_\_\_  
President of the Board

\_\_\_\_\_  
Secretary of the Board



## **FINANCIAL SECTION**





## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Texas City Independent School District (the "District") as of and for the year ended August 31, 2016, 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.

To the Board of Trustees  
Texas City Independent School District

### ***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, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As described in Note 18 to the financial statements, the Texas Education Agency's Commissioner of Education ordered the closure of La Marque Independent School District (La Marque ISD) effective July 1, 2016 and as of this date, La Marque ISD was annexed by Texas City Independent School District. The annexation was accounted for as a merger in accordance with GASB Statement No. 69 *Government Combinations and Disposals of Government Operations*. 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 on pages 7–15, and the budgetary comparison schedule and the required pension system information on pages 98–102 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements, and required Texas Education Agency ("TEA") schedules, 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 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the required TEA schedules, as listed in the table of contents, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing

To the Board of Trustees  
Texas City Independent School District

procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, required TEA schedules, 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2017, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Handwritten signature in cursive script that reads "Whitley Penn LLP".

Texas City, Texas  
January 10, 2017

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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## **TEXAS CITY INDEPENDENT SCHOOL DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Texas City Independent School District ("District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended August 31, 2016.

#### **Financial Highlights**

The assets and deferred outflows of the District exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$78,201,808 (*net position*). Of this amount, \$24,889,222 (*unrestricted net position*) may be used to meet the District's ongoing obligations to students and creditors.

- The District's total net position decreased by \$1,260,962.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$37,910,798, a decrease of \$5,519,191 in comparison with the prior year, which included a general fund decrease of \$7,088,234. The debt service fund balance increased by \$72,230. The capital projects fund balance increased by \$1,186,167.
- During the current fiscal year, unassigned fund balance for the general fund decreased by \$1,088,934, to \$12,769,527, unassigned fund balance at year-end is 15 percent of general fund expenditures.
- The District's total bonded debt decreased by \$6.5 million during the current fiscal year, \$1.3 million for La Marque ISD and \$5.2 million for Texas City ISD, which was the result of scheduled payments on bond principal.
- During the fiscal year ended August 31, 2016, the Texas Education Agency ordered the closure of La Marque ISD and its annexation into Texas City ISD, as a result the District implemented Government Accounting Standards Board (GASB) Statement No. 69; see additional information in Note 18 of these financial statements. The Annual Financial and Compliance Report of La Marque ISD for the Ten month period ended June 30, 2016 was issued on October 7, 2016 and is available for review on the Texas Education Agency website. Throughout the notes of this Texas City ISD report, the effect of La Marque ISD's annexation into Texas City ISD has been disclosed.

#### **Overview of the Financial Statements**

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

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

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

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

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

**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, like 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 spendable resources, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds 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 impact 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 maintains twenty-one (21) individual governmental funds. 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 the capital projects fund, all of which are considered to be major funds. Data from the other eighteen (18) governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in the financial statements. The District adopts an annual appropriated budget for its general fund, debt service fund, and child nutrition fund.



**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Proprietary fund**

The District maintains individual internal service funds for health insurance, workers' compensation insurance coverage, and a technology equipment replacement fund. *Internal service funds*, one type of proprietary fund, are an accounting device used to accumulate and allocate costs internally among the District's various funds and functions. Because this service benefits the governmental functions, it has been included within *governmental activities* in the government-wide financial statements.

Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The internal service fund financial statements provide separate information for the Health Insurance Fund, Worker's Compensation Insurance Fund, and the Technology Equipment Replacement Fund. The Technology Equipment Replacement Fund was closed as of August 31, 2016.

**Fiduciary funds**

The fiduciary funds are used to account for resources held for the benefit of students and employees. The District's *private purpose trust funds* are used to account for donations for scholarship funds and the project garden grant in this type of fund. The District's *agency fund* is used to account for resources held in a custodial capacity by the District and consists of funds that are the property of students or others. The fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the District's own programs. The funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation.

**Notes to 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.

**Required supplementary information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. The required supplementary information relates to comparison of the original adopted budget, the final amended budget, and the actual amounts for the fiscal year. This is required supplementary information for the general fund and any major special revenue funds. The District did not have any major special revenue funds, therefore only the general fund is presented as required supplementary information. This section also includes pension system information.

**Other information**

The combining and individual fund statements and schedules and other supplementary information are presented immediately following the required supplementary information.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$78,201,808 at the close of the most recent fiscal year.

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

A portion of the District's net position, \$49,106,180 reflects its investment in capital assets (e.g., land, buildings and improvements, furniture and equipment, construction in progress), less any outstanding related debt used to acquire those assets. 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.

As of August 31, 2016, the District's net position included the following:

	<b>Governmental Activities</b>		<b>Percentage Change</b>
	<b>2016</b>	<b>2015</b>	
Current and other assets	\$ 55,259,048	\$ 40,535,238	36%
Capital assets	175,068,856	148,009,673	18%
<b>Total Assets</b>	<b>230,327,904</b>	<b>188,544,911</b>	<b>22%</b>
Deferred charge on refunding	4,012,226	3,318,719	21%
Deferred outflows relating to pension activities	9,020,765	1,797,336	402%
<b>Total Deferred Outflows of Resources</b>	<b>13,032,991</b>	<b>5,116,055</b>	<b>155%</b>
Current liabilities	12,268,032	3,174,822	286%
Long term liabilities	151,444,083	120,412,130	26%
<b>Total Liabilities</b>	<b>163,712,115</b>	<b>123,586,952</b>	<b>32%</b>
Deferred inflows relating to pension activities	1,446,972	2,318,670	-38%
<b>Total Deferred Inflows of Resources</b>	<b>1,446,972</b>	<b>2,318,670</b>	<b>-38%</b>
<b>Net Position</b>			
Net investment in capital assets	49,106,180	38,809,563	27%
Restricted	4,206,406	1,763,202	139%
Unrestricted	24,889,222	27,182,579	-8%
<b>Total Net Position</b>	<b>\$ 78,201,808</b>	<b>\$ 67,755,344</b>	<b>15%</b>

Net position is restricted for various purposes as follows:

	<b>Governmental Activities</b>		<b>Percentage Change</b>
	<b>2016</b>	<b>2015</b>	
Federal and State Grant Programs	\$ 781,933	\$ 49,301	1486%
Debt Service	3,424,473	1,713,901	100%
	<b>\$ 4,206,406</b>	<b>\$ 1,763,202</b>	<b>139%</b>

The remaining balance of unrestricted net position, \$24,889,222, may be used to meet the District's ongoing obligations to students and creditors. At the end of the current fiscal year, the District reports positive balances in net investment in capital assets, restricted, and unrestricted net position. The District's net position decreased by \$1,260,962 during the current fiscal year.

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Comparative Schedule of Changes in Net Position**  
**For the Years Ended August 31, 2016 and 2015**

	<b>Governmental Activities</b>		<b>Percentage Change</b>
	<b>2016</b>	<b>2015</b>	
<b>Revenues</b>			
<b>Program revenues:</b>			
Charges for services	\$ 5,669,627	\$ 5,283,924	7%
Operating grants	17,910,264	9,551,776	88%
Capital Grants	114,313		
<b>General revenues:</b>			
Property taxes	69,355,902	50,154,459	38%
State Aid - Formula Grants	13,896,853	5,331,891	161%
Interest earnings	159,880	58,374	174%
Other	78,408	69,778	12%
<b>Total Revenues</b>	<b>107,185,247</b>	<b>70,450,202</b>	<b>52%</b>
<b>Expenses</b>			
Instruction	51,265,619	34,372,414	49%
Instructional resources and media services	877,756	953,849	-8%
Curriculum and staff development	1,446,896	780,393	85%
Instructional leadership	1,155,688	450,987	156%
School leadership	5,605,747	3,501,560	60%
Guidance, counseling, and evaluation services	2,360,425	1,745,148	35%
Social work services	190,989	141,692	35%
Health services	833,550	514,789	62%
Student transportation	2,491,345	1,119,563	123%
Food services	6,158,301	4,700,625	31%
Extracurricular activities	3,276,875	2,208,518	48%
General administration	4,745,879	2,449,625	94%
Facilities maintenance and operations	14,273,355	8,427,619	69%
Security and monitoring services	1,505,726	637,390	136%
Data processing services	4,182,098	1,382,793	202%
Community services	305,885	165,754	85%
Interest on long-term debt	5,036,359	4,014,593	25%
Bond issuance cost and fees	85,019	520,916	-84%
Facilities repair and maintenance	60,515	168,145	-64%
Contracted instructional services between schools	1,382,460	13,770	9940%
Payments related to shared services arrangements	299,151	206,349	45%
Payments to Juvenile Justice Alternative Education Programs	638	7,219	-91%
Other governmental charges	591,437	415,370	42%
<b>Total Expenses</b>	<b>108,131,713</b>	<b>68,899,081</b>	<b>57%</b>
Excess (deficiency) before special items and transfers	(946,466)	1,551,121	-161%
Special items - capital assets impairment loss	(314,496)		100%
Increase (Decrease) in Net Position	(1,260,962)	1,551,121	-181%
<b>Net position - beginning - see Note 18</b>	<b>79,462,770</b>	<b>74,792,120</b>	<b>6%</b>
<b>Change in accounting principle</b>		<b>(8,587,897)</b>	
<b>Net position - ending</b>	<b>\$ 78,201,808</b>	<b>\$ 67,755,344</b>	<b>15%</b>

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Governmental activities**

Governmental activities decreased the District's net position by \$1,260,962, as a result of up-front investment in technology, supplies, materials, and building maintenance for four La Marque campuses.

Revenues are generated primarily from three sources. Property taxes, state-aid formula grants, and operating grants and contributions represent 94 percent of total revenues. The remaining is generated from charges for services, capital grants and contributions, investment earnings, and miscellaneous revenues.

	<u>Total Revenues</u>	<u>% of Total Revenues</u>
Property taxes	\$ 69,355,902	65%
State Aid - Formula Grants	13,896,853	13%
Operating grants and contributions	17,910,264	17%
Other revenue	6,022,228	6%
<b>Total Revenues</b>	<u>\$ 107,185,247</u>	<u>100%</u>

The primary functional expenses of the District are instruction and facilities maintenance and operations, which represent 61 percent of total expenses. The remaining individual functional categories of expenses are each less than 5 percent of total expenses.

	<u>Total Expenses</u>	<u>% of Total Expenses</u>
Instruction	\$ 51,265,619	47%
Facilities maintenance and operations	14,273,355	13%
Other expenses	42,592,739	39%
<b>Total Expenses</b>	<u>\$ 108,131,713</u>	<u>100%</u>

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

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

**Governmental funds**

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$37,910,798, a decrease of \$5,519,191 in comparison with the prior year. The decrease in ending governmental fund balances is a result of up-front investment in technology, supplies, materials, and building maintenance for four La Marque campuses and construction costs for the Industrial Trades Center, which will begin operations in January 2017.

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (continued)**

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$12,769,527, while total fund balance reached \$31,526,524. As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 15 percent of total general fund expenditures, while total fund balance represents 36 percent of that same amount. The fund balance of the District’s general fund decreased by \$7,088,234 during the current fiscal year due to up-front investment in four La Marque campuses and construction of the Industrial Trades Center.

The debt service fund has a total fund balance of \$3,435,853, all of which is restricted for the payment of debt service. The net increase in the debt service fund balance during the current year of \$72,230 was attributable to a planned drawdown of fund balance. First, the District recognized excess debt collections from the prior year, second, the District refunded a refinery after property values were certified and the tax rate was set at \$0.2598 for the purpose of payment of principal and interest on debts.

The capital projects fund as a total fund balance of \$1,235,367, all of which is restricted for capital projects. The net increase in the capital projects fund balance during the year of \$1,186,167 was primarily due to the issuance of a new Maintenance Tax Note in the amount of \$4,050,000.

**General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget of the general fund can be briefly summarized as follows:

	<b>Budget</b>	
	<b>Original</b>	<b>Final Amended</b>
Total revenues	\$ 56,821,372	\$ 58,385,388
Total expenditures	(63,319,517)	(79,169,201)
Other financing sources (uses)		1,143,000
Net change in fund balance	<u>\$ (6,498,145)</u>	<u>\$ (19,640,813)</u>

A revenue budget amendment in the amount of \$1.6 million was recorded to account for increased enrollment and weighted program participation.

Expenditure amendments totaling \$15.9 million were recorded throughout the school year. \$10 million was budgeted for the up-front investment in four La Marque campuses. An additional \$2.8 million was added to the original budget of \$6.5 million for the Industrial Trades Center, making the total project construction budget \$9.3 million. The final budget amendment allowed for a \$1.8 million increase in the budgeted salary accrual to cover the cost of approximately 400 staff that were not included in the original budget and worked during the month of August.

**Capital Assets and Long-term Liabilities**

**Capital assets**

The District’s investment in capital assets for its governmental type activities as of August 31, 2016, includes land, buildings and improvements, furniture and equipment, and construction in progress. The investment in capital assets for the current fiscal year was \$172,068,856. The following table summarizes the investment in capital assets as of August 31, 2016 and 2015.

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

	<u>2016</u>	<u>2015*</u>
Land	\$ 5,072,706	\$ 5,072,706
Buildings and improvements	245,861,713	257,951,821
Furniture and equipment	17,863,769	12,507,877
Construction in progress	4,372,598	332,168
<b>Total</b>	<u>273,170,786</u>	<u>275,864,572</u>
Accumulated depreciation	(101,101,930)	(104,100,675)
<b>Net capital assets</b>	<u>\$ 172,068,856</u>	<u>\$ 171,763,897</u>

\*2015 balances are shown including La Marque ISD.

Additional information on the District's capital assets can be found in the notes to the financial statements.

Total Governmental Capital Assets for La Marque ISD as of June 30, 2016, totaled \$23,377,420, see additional information in Note 18 to the financial statements

**Long-term liabilities**

At the end of the current fiscal year, the District had \$98,655,000 in bonded debt outstanding, a decrease of \$5,225,000 over the previous year. Except for the District's Unlimited Tax School Building Bonds, Series 2009, the District's outstanding bonds are rated "AAA" by Standard and Poor's and "Aaa" by Moody's Investor Service based on the guarantee of the Permanent School Fund of the State of Texas. Due to the closure of the Permanent School Fund guarantee in 2009, the Series 2009 Bonds were sold based on the District's underlying Standard and Poor's rating. The District's underlying ratings are "AA" by Standard and Poor's and "Aa2" by Moody's Investor Service.

Changes in bonds payable for the year ended August 31, 2016 are as follows:

<u>Outstanding</u> <u>09/01/15</u>	<u>Issued</u>	<u>Retired</u>	<u>Outstanding</u> <u>08/31/16</u>
\$ 103,880,000	\$	\$ (5,225,000)	\$ 98,655,000

In addition, during the current fiscal year, the District issued a Maintenance Tax Note in the amount of \$4,050,000 and the District paid \$55,493 related to a loan from La Marque ISD that was due after June 30, 2016 and before August 31, 2016.

Changes in Maintenance Tax Note and other loans for the year ended August 31, 2016 are as follows:

<u>Outstanding</u> <u>09/01/15</u>	<u>Issued</u>	<u>Retired</u>	<u>Outstanding</u> <u>08/31/16</u>
\$	\$ 4,050,000	\$ (55,493)	\$ 3,994,507

Additional information on the District's long-term liabilities can be found in the notes to the financial statements.

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

As of June 30, 2016, La Marque ISD had a balance of General Obligation bonds of \$18,445,000; Bond issuance premiums/discounts of \$1,908,298; and Loans payable of \$542,479. See additional information in Note 18 to the financial statements.

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

- The 2016 freeze-adjusted certified taxable value used to calculate the District's budgeted revenue was \$4.6 billion. This is a decrease of \$561 million compared the 2015 values for TCISD and LMISD combined. Property tax revenues remain uncertain due to potential litigation relating to property values assign to some of the District's largest taxpayers.
- The tax rate for the 2016-17 fiscal year is \$1.4405 per \$100 valuation (\$1.17 for maintenance and operations (M&O), \$0.2705 for interest and sinking (I&S)).
- The \$2016-17 adopted budget to cover the maintenance and operations of the District (general fund) is \$80.3 million. With anticipated operating revenues of \$80.3 million, the District anticipates a balanced budget. Based on estimated enrollment of 8,983, the District's general fund expenditures are expected to be \$8,939 per student in enrollment for the 2016-17 school year.
- The 2016-17 adopted budget to cover the debt payments and associated debt expenditures is \$12.1 million. The I&S tax rate of \$0.2705 will generate approximately \$11.3 million, with the remaining \$750K coming from delinquent tax collections and I&S fund balance if necessary.

While Texas City Independent School District is nearly built out, there are still some residential developments currently under construction in selected locations within the District. Most of the sites under construction are single family residences. There are also commercial improvements in planning stages or under construction within Texas City Independent School District's boundaries.

**Requests for Information**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Office at Texas City Independent School District, 1700 Ninth Avenue North, Texas City, Texas 77590.

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## **BASIC FINANCIAL STATEMENTS**

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**

*Exhibit A-1*

**STATEMENT OF NET POSITION**

August 31, 2016

<b>Data Control Codes</b>	<b>Governmental Activities</b>
<b>Assets</b>	
1110 Cash and cash equivalents	\$ 43,041,081
1225 Property taxes receivables, net	3,923,853
1240 Due from other governments	7,179,206
1290 Other receivables, net	86,816
1300 Inventories	195,978
1410 Prepaid items	832,114
Capital assets not subject to depreciation:	
1510 Land	5,072,706
1580 Construction in progress	4,372,598
Capital assets net of depreciation:	
1520 Buildings and improvements, net	157,821,198
1530 Furniture and equipment, net	7,802,354
<b>1000 Total Assets</b>	<b><u>230,327,904</u></b>
<b>Deferred Outflows of Resources</b>	
1700 Deferred charge on refunding	4,012,226
1705 Deferred outflows relating to pension activities	9,020,765
<b>Total Deferred Outflows of Resources</b>	<b><u>13,032,991</u></b>
<b>Liabilities</b>	
2110 Accounts payable	6,955,347
2140 Interest payable	548,417
2150 Payroll deductions and withholdings	33,729
2160 Accrued wages payable	2,593,503
2180 Due to other governments	1,351,952
2200 Accrued expenses	744,693
2300 Unearned revenue	40,391
Noncurrent Liabilities:	
2501 Due within one year	8,217,617
2502 Due in more than one year	123,730,049
2540 Net pension liability	19,496,417
<b>2000 Total Liabilities</b>	<b><u>163,712,115</u></b>
<b>Deferred Inflows of Resources</b>	
2605 Deferred inflows relating to pension activities	1,446,972
<b>Total Deferred Inflows of Resources</b>	<b><u>1,446,972</u></b>
<b>Net Position</b>	
3200 Net investment in capital assets	49,106,180
Restricted for:	
3820 Federal and state programs	781,933
3850 Debt service	3,424,473
3900 Unrestricted	24,889,222
<b>3000 Total net position</b>	<b><u>\$ 78,201,808</u></b>

See Notes to the Financial Statements.

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended August 31, 2016

Exhibit B-1

Data Control Codes	Functions/Programs	Expenses	Program Revenue		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Primary Government
			Charges for Services	Operating Grants and Contributions		Governmental Activities
	<b>Governmental activities:</b>					
11	Instruction	\$ 51,265,619	\$ 1,134,168	\$ 9,056,110	\$	\$ (41,075,341)
12	Instructional resources and media services	877,756	38,453	48,775		(790,528)
13	Curriculum and staff development	1,446,896		355,695		(1,091,201)
21	Instructional leadership	1,155,688		351,007		(804,681)
23	School leadership	5,605,747	38,453	767,020		(4,800,274)
31	Guidance, counseling, and evaluation services	2,360,425		365,576		(1,994,849)
32	Social work services	190,989		80,554		(110,435)
33	Health services	833,550		1,159,447		325,897
34	Student transportation	2,491,345		239,117	114,313	(2,137,915)
35	Food services	6,158,301	1,424,274	4,562,151		(171,876)
36	Extracurricular activities	3,276,875	2,917,266	112,168		(247,441)
41	General administration	4,745,879	12,818	135,465		(4,597,596)
51	Facilities maintenance and operations	14,273,355	14,473	389,259		(13,869,623)
52	Security and monitoring services	1,505,726		28,754		(1,476,972)
53	Data processing services	4,182,098		74,558		(4,107,540)
61	Community services	305,885	89,722	183,052		(33,111)
72	Interest on long-term debt	5,036,359				(5,036,359)
73	Bond issuance cost and fees	85,019				(85,019)
81	Facilities repairs and maintenance	60,515		1,556		(58,959)
91	Contracted instructional services between schools	1,382,460				(1,382,460)
93	Payments related to shared services arrangements	299,151				(299,151)
95	Payments to Juvenile Justice Alternative Education Programs	638				(638)
99	Other governmental charges	591,437				(591,437)
<b>TG</b>	<b>Total governmental activities</b>	<u>\$ 108,131,713</u>	<u>\$ 5,669,627</u>	<u>\$ 17,910,264</u>	<u>\$ 114,313</u>	<u>(84,437,509)</u>

Data Control Codes		
	<b>General revenues:</b>	
	Taxes:	
MT	Property taxes, levied for general purposes	57,382,291
DT	Property taxes, levied for debt service	11,973,611
SF	State-aid formula grants	13,896,853
IE	Investment earnings	159,880
MI	Miscellaneous	78,408
SI	Special item - capital assets impairment loss	(314,496)
TR	<b>Total general revenues</b>	<u>83,176,547</u>
CN	Change in net position	(1,260,962)
NB	<b>Net position - beginning - see Note 18</b>	<u>79,462,770</u>
NE	<b>Net position - ending</b>	<u>\$ 78,201,808</u>

See Notes to the Financial Statements.

TEXAS CITY INDEPENDENT SCHOOL DISTRICT

Exhibit C-1

BALANCE SHEET

GOVERNMENTAL FUNDS

August 31, 2016

Data Control Codes		Debt Service			Nonmajor	Total
		General Fund	Fund	Capital Projects	Governmental Funds	Governmental Funds
<b>Assets</b>						
1110	Cash and cash equivalents	\$ 31,975,363	\$ 3,435,719	\$ 3,697,206	\$ 1,803,171	\$ 40,911,459
<b>Receivables:</b>						
1220	Delinquent property taxes receivables	6,646,568	1,010,992			7,657,560
1230	Allowance for uncollectible taxes (credit)	(3,287,229)	(446,478)			(3,733,707)
1240	Receivables from other governments	5,930,883			1,248,324	7,179,207
1260	Due from other funds	7,699,459			141	7,699,600
1290	Other receivables	56,735			30,081	86,816
1300	Inventories, at cost	172,247			23,731	195,978
1410	Prepaid items	832,114				832,114
<b>1000</b>	<b>Total Assets</b>	<u>\$ 50,026,140</u>	<u>\$ 4,000,233</u>	<u>\$ 3,697,206</u>	<u>\$ 3,105,448</u>	<u>\$ 60,829,027</u>
<b>Liabilities, Deferred Inflows, and Fund Balances</b>						
<b>Liabilities:</b>						
2110	Accounts payable	\$ 4,220,270	\$	\$ 2,461,839	\$ 265,430	\$ 6,947,539
2150	Payroll deduction and withholdings payable	33,729				33,729
2160	Accrued wages payable	2,535,661			57,842	2,593,503
2170	Due to other funds	6,971,513			1,028,731	8,000,244
2180	Due to other governments	1,351,952				1,351,952
2190	Due to others	27,152				27,152
2300	Unearned revenues				40,391	40,391
<b>2000</b>	<b>Total Liabilities</b>	<u>15,140,277</u>		<u>2,461,839</u>	<u>1,392,394</u>	<u>18,994,510</u>
<b>Deferred Inflows of Resources</b>						
2600	Unavailable property tax revenues	3,359,339	564,380			3,923,719
	<b>Total Deferred Inflows of Resources</b>	<u>3,359,339</u>	<u>564,380</u>			<u>3,923,719</u>
<b>Fund Balances:</b>						
<b>Nonspendable:</b>						
3410	Inventories	172,247			23,731	195,978
3430	Prepaid items	832,114				832,114
<b>Restricted:</b>						
3450	Federal/State grant restrictions				889,337	889,337
3470	Capital acquisitions			1,235,367		1,235,367
3480	Debt service		3,435,853			3,435,853
<b>Committed:</b>						
3545	Other purposes				799,986	799,986
<b>Assigned:</b>						
3590	Other assigned	17,752,636				17,752,636
3600	Unassigned	12,769,527				12,769,527
<b>3000</b>	<b>Total fund balances</b>	<u>31,526,524</u>	<u>3,435,853</u>	<u>1,235,367</u>	<u>1,713,054</u>	<u>37,910,798</u>
<b>4000</b>	<b>Total Liabilities, Deferred Inflows, and Fund Balances</b>	<u>\$ 50,026,140</u>	<u>\$ 4,000,233</u>	<u>\$ 3,697,206</u>	<u>\$ 3,105,448</u>	<u>\$ 60,829,027</u>

See Notes to the Financial Statements.

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO**  
**STATEMENT OF NET POSITION**  
*August 31, 2016*

*Exhibit C-2*

**Data**  
**Control**  
**Codes**

	<b>Total fund balance, governmental funds</b>	\$ 37,910,798
	Amounts reported for governmental activities in the statement of net position (A-1) are different because:	
<b>1</b>	Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets at historical cost, net of accumulated depreciation, where applicable.	175,068,856
<b>2</b>	Property taxes receivable have been levied and are due this year, but are not available soon enough to pay for the current period's expenditures, these property taxes and related penalty and interest amounts (net of allowance for uncollectible accounts).	3,923,719
<b>3</b>	Deferred amount on refunding	4,012,226
<b>4</b>	Deferred outflows relating to pension activities	9,020,765
	Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
<b>5</b>	General obligation bonds	(117,100,000)
<b>6</b>	Premiums on issuance	(9,969,424)
<b>7</b>	Loans payable	(4,536,986)
<b>8</b>	Accrued compensated absences	(341,256)
<b>9</b>	Accrued interest payable	(548,417)
<b>10</b>	Net pension liability	(19,496,417)
<b>11</b>	Deferred inflows relating to pension activities	(1,446,972)
<b>12</b>	Addition of Internal Service fund net position	<u>1,704,916</u>
<b>19</b>	<b>Net position - governmental activities</b>	<u>\$ 78,201,808</u>

See Notes to the Financial Statements.

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - GOVERNMENTAL FUNDS**  
**For the Year Ended August 31, 2016**

*Exhibit C-3*

<b>Data Control Codes</b>		<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>						
5700	Local, intermediate, and out-of-state	\$ 60,360,845	\$ 11,926,671	\$ 114,313	\$ 2,752,569	\$ 75,154,398
5800	State program revenues	16,632,035	228,090		424,277	17,284,402
5900	Federal program revenues	1,124,720			11,734,104	12,858,824
<b>5020</b>	<b>Total revenues</b>	<b>78,117,600</b>	<b>12,154,761</b>	<b>114,313</b>	<b>14,910,950</b>	<b>105,297,624</b>
<b>Expenditures</b>						
<b>Current:</b>						
0011	Instruction	39,732,756			6,431,897	46,164,653
0012	Instructional resources and media services	771,102			27,723	798,825
0013	Curriculum and staff development	1,052,678			304,269	1,356,947
0021	Instructional leadership	790,972			303,432	1,094,404
0023	School leadership	4,662,194			516,332	5,178,526
0031	Guidance, counseling and evaluation services	1,920,257			239,947	2,160,204
0032	Social work services	100,645			74,817	175,462
0033	Health services	747,192			28,607	775,799
0034	Student transportation	2,212,646		2,314,248	137,014	4,663,908
0035	Food services	35,887			5,936,188	5,972,075
0036	Extracurricular activities	3,004,722			271,475	3,276,197
0041	General administration	4,380,147			27,557	4,407,704
0051	Facilities maintenance and operations	13,204,563		564,698	21,043	13,790,304
0052	Security and monitoring services	1,671,416			11,245	1,682,661
0053	Data processing services	5,358,070			17,381	5,375,451
0061	Community services	29,606			251,377	280,983
<b>Debt service:</b>						
0071	Principal on long-term debt	220,320	6,547,633			6,767,953
0072	Interest on long-term debt	14,170	5,499,879			5,514,049
0073	Bond issuance costs and fees		35,019	50,000		85,019
<b>Capital outlay:</b>						
0081	Facilities acquisition and construction	4,216,398		49,200		4,265,598
<b>Intergovernmental:</b>						
0091	Contracted instructional services	1,382,460				1,382,460
0093	Payments related to shared services arrangements	299,151				299,151
0095	Payments to Juvenile Justice Alt. Ed. Prgm.	638				638
0099	Other governmental charges	591,437				591,437
<b>6030</b>	<b>Total Expenditures</b>	<b>86,399,427</b>	<b>12,082,531</b>	<b>2,978,146</b>	<b>14,600,304</b>	<b>116,060,408</b>
1100	Excess (deficiency) of revenues over expenditures	(8,281,827)	72,230	(2,863,833)	310,646	(10,762,784)
<b>Other Financing Sources (Uses)</b>						
7914	Proceeds from loan			4,050,000		4,050,000
7915	Transfers in	1,193,593				1,193,593
<b>7080</b>	<b>Total other financing sources and uses</b>	<b>1,193,593</b>		<b>4,050,000</b>		<b>5,243,593</b>
1200	Net change in fund balances	(7,088,234)	72,230	1,186,167	310,646	(5,519,191)
<b>0100</b>	<b>Fund Balance - beginning - see Note 18</b>	<b>38,614,758</b>	<b>3,363,623</b>	<b>49,200</b>	<b>1,402,408</b>	<b>43,429,989</b>
<b>3000</b>	<b>Fund Balance - ending</b>	<b>\$ 31,526,524</b>	<b>\$ 3,435,853</b>	<b>\$ 1,235,367</b>	<b>\$ 1,713,054</b>	<b>\$ 37,910,798</b>

See Notes to the Financial Statements.

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE FOR GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
*For the Year Ended August 31, 2016*

*Exhibit C-4*

<u>Data Control Codes</u>		
	Net change in fund balances - total governmental funds (from C-3)	\$ (5,519,191)
	Amounts reported for governmental activities in the statement of activities (B-1) are different because:	
1	Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which the governmental funds capital outlay (\$9,580,958) exceeded depreciation (\$6,052,348) in the current period.	3,619,455
2	To record net effect of capital asset transferred out of the Technology Equipment Internal Service Fund, presented as an expenditure in the governmental funds.	50,592
3	To record net effect of the capital asset impairment loss	(314,496)
4	Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	125,491
5	Repayment of bond principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net position.	6,547,633
6	Repayment of loan principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net position.	220,320
7	Proceeds from issuance of long-term debt is reported as an other financing source in the governmental funds. In the government-wide financial statements, proceeds are treated as an increase in long-term liabilities and amounts paid to refunding agents are treated as a decrease in long-term liabilities.	(4,050,000)
8	Pension contributions made after the measurement date are reported as expenditures in the governmental funds and are reported as deferred outflows on the face of the statement of net position.	1,702,088
9	Premiums on bonds issued are treated as other financing sources in the governmental funds. In the government-wide financial statements, premiums are amortized over the life of the bonds.	789,736
	Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:	
10	Pension expense for the pension plan measurement year	(3,117,518)
11	Increase in interest payable not recognized in fund statements	(294,913)
12	Decrease in long-term portion of accrued compensated absences	125,474
13	Accrued interest on capital appreciation bonds and amortization of bond issuance costs	305,861
14	Amortization of deferred charge on refunding	(322,994)
15	Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental funds (see D-2).	<u>(1,128,500)</u>
	<b>Change in net position of governmental activities (see B-1)</b>	<u><u>\$ (1,260,962)</u></u>

See Notes to the Financial Statements.

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**

*Exhibit D-1*

**STATEMENT OF NET POSITION**

**PROPRIETARY FUNDS**

August 31, 2016

<u>Data Control Codes</u>		<u>Governmental Activities - Internal Service Funds</u>
	<b>Assets</b>	
	<b>Current Assets:</b>	
1110	Cash and cash equivalents	\$ 2,129,622
	<b>Receivables:</b>	
1260	Due from other funds	300,644
	<b>Total current assets</b>	<u>2,430,266</u>
<b>1000</b>	<b>Total Assets</b>	<u>2,430,266</u>
	 <b>Liabilities</b>	
	<b>Current Liabilities:</b>	
2110	Accounts payable	7,809
2200	Accrued expenses	717,541
<b>2000</b>	<b>Total Liabilities</b>	<u>725,350</u>
	 <b>Net Position</b>	
3900	Unrestricted net position	1,704,916
<b>3000</b>	<b>Total Net Position</b>	<u>\$ 1,704,916</u>

See Notes to the Financial Statements.



**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
*For the Year Ended August 31, 2016*

*Exhibit D-2*

<u>Data Control Codes</u>	<u>Governmental Activities - Internal Service Funds</u>
<b>Operating Revenues</b>	
5700 Charges for Services	\$ 582,848
5020 <b>Total Operating Revenues</b>	<u>582,848</u>
<b>Operating Expenses</b>	
6100 Payroll costs	63,111
6200 Purchased and contracted services	67,513
6300 Supplies and materials	3,069
6400 Claims expense and other operating expenses	<u>386,825</u>
6030 <b>Total Operating Expenses</b>	<u>520,518</u>
1200 Operating (Loss)	<u>62,330</u>
<b>Non-Operating Revenues</b>	
7020 Investment earnings	<u>2,763</u>
<b>Total Nonoperating Revenues</b>	<u>2,763</u>
(Loss) before transfers	<u>65,093</u>
<b>Transfers</b>	
8911 Transfers out	<u>(1,193,593)</u>
1200 Change in Net Position	(1,128,500)
0100 <b>Net Position - beginning - see Note 18</b>	<u>2,833,416</u>
3300 <b>Net Position - ending</b>	<u>\$ 1,704,916</u>

See Notes to the Financial Statements.

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the Year Ended August 31, 2016

*Exhibit D-3*

	<b>Governmental Activities - Internal Service Funds</b>
<b>Cash Flows from Operating Activities:</b>	
Cash received from user charges	\$ 543,680
Cash payments for insurance claims	(328,004)
Cash payments to suppliers for goods and services	(114,807)
Cash payments to employees	(1,394,499)
<b>Net Cash Used for Operating Activities</b>	<u>(1,293,630)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>	
Transfers to other funds	(1,193,593)
<b>Net Cash Used for Non-Capital Financing Activities</b>	<u>(1,193,593)</u>
<b>Cash Flows from Investing Activities:</b>	
Interest on investments	2,763
<b>Net Cash Provided by Investing Activities</b>	<u>2,763</u>
Net Decrease in Cash and Cash Equivalents	(2,484,460)
<b>Cash and Cash Equivalents at Beginning of Year - see Note 18</b>	<u>4,614,082</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 2,129,622</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
Operating Income (Loss)	\$ 62,330
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Removal of asset as a result of fund closure	50,592
<b>Change in Assets and Liabilities:</b>	
Decrease (increase) in Receivables	
Decrease (increase) in Interfund Receivables	(42,177)
Increase (decrease) in Accounts Payable	(89,599)
Increase (decrease) in Accrued Wages Payable	(1,699)
Increase (decrease) in Interfund Payables	(1,329,689)
Increase (decrease) in Accrued Expenses	56,612
<b>Net Cash Used for Operating Activities</b>	<u>\$ (1,293,630)</u>

See Notes to the Financial Statements.

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT***Exhibit E-1***STATEMENT OF FIDUCIARY NET POSITION***August 31, 2016*

<b>Data Control Codes</b>		<b>Private Purpose Trust Funds</b>	<b>Agency Fund</b>
	<b>Assets</b>		
1110	Cash and cash equivalents	\$ 134,387	\$ 171,197
1000	<b>Total Assets</b>	<u>\$ 134,387</u>	<u>\$ 171,197</u>
	<b>Liabilities</b>		
2110	Accounts payable	\$	\$ 1,098
2190	Due to others		170,099
2000	<b>Total Liabilities</b>		<u>\$ 171,197</u>
	<b>Net Position</b>		
3800	Restricted	<u>\$ 134,387</u>	

See Notes to the Financial Statements.

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
*For the Year Ended August 31, 2016*

*Exhibit E-2*

	<b>Private Purpose Trust Funds</b>
<b>Additions</b>	
Local and intermediate sources	\$ 15,613
<b>Total additions</b>	<u>15,613</u>
<b>Deductions</b>	
Professional and contracted services	<u>19,408</u>
<b>Total deductions</b>	<u>19,408</u>
Change in net position	(3,795)
<b>Net position, beginning of year</b>	<u>138,182</u>
<b>Net position, end of year</b>	<u><u>\$ 134,387</u></u>

See Notes to the Financial Statements.

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

**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. Because 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. There are no component units, entities for which the District is considered to be financially accountable, included within the reporting entity.

The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities.

The Texas Education Agency’s Commissioner of Education ordered the closure of La Marque Independent School District (La Marque ISD) effective July 1, 2016. As of this date, the District was annexed by Texas City Independent School District. In accordance with GASB Statement No. 69 *Government Combinations and Disposals of Government Operations* (GASB No. 69), La Marque Independent School District’s assets, deferred outflows, liabilities and deferred inflows and result of operations will be reflected on the financial statements of Texas City Independent School District as though the entities had been combined at the beginning of Texas City Independent School District’s fiscal year (i.e. September 1, 2015). This annexation is defined as a *government merger*; per GASB No. 69, a government merger is a government combination of legally separate entities in which no significant consideration is exchanged and one legally separate governmental entity (La Marque ISD) ceases to exist and its operations are absorbed into one continuing government (Texas City ISD). See additional information in Note 18 to the financial statements.

**Government-wide and Fund 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 District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to students or users 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. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Note 1 - Summary of Significant Accounting Policies (continued)**

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements while the agency funds have no measurement of focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers 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 under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The 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 general government, except those required to be accounted for in another fund.
- The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.
- The *capital projects fund* - The proceeds from long-term debt financing and revenues and expenditures related to authorized acquisition, construction, or renovations as well as furnishing and equipping capital facilities are accounted for in a capital projects fund.

Additionally, the District reports the following fund types:

- The *internal service funds* accounts for health insurance, worker's compensation self-insurance funding, and a technology equipment replacement fund for non capitalizable equipment.
- The *private purpose trust fund* is used to account for donations for scholarships funds that are received by the District that are to be awarded to current and former students for post-secondary education purposes.
- The *agency fund* is used to account for assets held by the District as an agent for student organizations and the tax office. The fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operation.

**Note 1 - Summary of Significant Accounting Policies (continued)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)**

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

Amounts reported as *program revenues* include 1) charges to students or users for goods, services, or privileges provided and 2) operating grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and investment income.

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 District's internal service fund are charges to the funds and/or employees for self-funded health services. Operating expenses for the internal service fund include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Deposits and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, investment pools, and short-term investments with original maturities of three months or less from the date of acquisition.

The District reports all investments at fair value, except for investment pools. The District's investment pools are valued and reported at amortized cost, which approximates fair value.

The District categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's local government investment pools are recorded at amortized costs as permitted by GASB Statement No. 79, *Certain Investment Pools and Pool Participants*.

**Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Property tax receivables include unpaid property taxes at year-end and are shown net of an allowance for uncollectibles. The property tax receivable allowance is equal to an average of 49 percent of outstanding property taxes at August 31, 2016. Revenues from property taxes are recognized when levied to the extent they are available. The District considers property taxes as available when collected. However, not all outstanding property taxes are expected to be collected within one year of the date of the financial statements. Property values are determined by the Galveston County 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.

**Note 1 - Summary of Significant Accounting Policies (continued)**

**Receivables and Payables (continued)**

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.

**Inventories and Prepaid Items**

Inventories consisting of supplies and materials are valued at weighted average cost and they include maintenance, transportation, office and instructional supplies, and food service commodities. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Food service commodity inventory is recorded at fair market value on the date received. Commodities are recognized as revenues in the period received when all the eligibility requirements are met. Commodity inventory items are recorded as expenditures when distributed to user locations. A portion of fund balance is classified as non-spendable to reflect minimum inventory quantities considered necessary for the District's continuing operations.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items also include payroll amounts for contract amounts paid to employees prior to the expenditures being incurred.

**Capital Assets**

Capital assets, which include land, construction in progress, buildings and improvements, and furniture and equipment, are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost that equals or exceeds \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Buildings and improvements, and furniture and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	60
Building improvements	Remaining life of building or 30 years, whichever is less
Furniture and equipment	5
Information systems (computer equipment)	5
Automobiles and trucks	10
Buses and heavy equipment	15



**Note 1 - Summary of Significant Accounting Policies (continued)**

**Compensated Absences**

Compensated absences are absences for which employees will be paid, such as sick leave. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the government and its employees is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the government and its employees are accounted for in the period in which such services are rendered or such events take place.

In the governmental funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and fund liability in the fund that will pay for them. The remainder of the compensated absences liability is reported in long-term liabilities on the statement of net position.

**Long-term Obligations**

The District's long-term obligations consist of bonded indebtedness and compensated absences. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the bonds outstanding method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund. The current requirements for compensated absences are accounted for in the general fund. The requirements for health insurance and workers' compensation are accounted for in the internal service fund.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category:

- Deferred outflows of resources for refunding - Reported in the government-wide statement of net position, this deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

**Note 1 - Summary of Significant Accounting Policies (continued)**

**Deferred Outflows/Inflows of Resources (continued)**

- Deferred outflows of resources for pension – Reported in the government-wide statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of 1) differences between projected and actual earnings on pension plan investments; 2) changes in actuarial assumptions; 3) differences between expected and actual actuarial experiences and 4) changes in the District’s proportional share of pension liabilities. The 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 next fiscal year. The deferred outflows resulting from differences between projected and actual earnings on pension plan investments will be amortized over a closed five year period. The remaining pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category:

- Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Deferred inflows of resources for pension - Reported in the government wide financial statement of net position, these deferred inflows result primarily from 1) changes in actuarial assumptions; 2) differences between expected and actual actuarial experiences and 3) changes in the District’s proportional share of pension liabilities. These pension related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.

**Pensions**

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

**Note 1 - Summary of Significant Accounting Policies (continued)**

**Fund Balance**

The fund balance in governmental funds has been classified as follows to describe the nature and relative strength of the spending constraints:

- Non-spendable fund balance – amounts that are not in spendable form or are required to be maintained intact. As such, the inventory and prepaid items have been properly classified in the Governmental Funds Balance Sheet (Exhibit C-1).
- Restricted fund balance – amounts that can be spent only for specific purposes because of local, state or federal laws, or externally imposed conditions by grantors or creditors. The fund balances for the Child Nutrition Fund and other grant funds are classified as restricted.
- Committed fund balance – amounts constrained to specific purposes by the District itself, using its highest level of decision making authority (i.e. the Board of Trustees). To be reported as committed, amounts cannot be used for any other purposes unless the District takes the same highest level of action to remove or change the constraint. The fund balance of the campus activity fund is committed for use at the campuses per board policy.
- Assigned fund balance – amounts the District intends to use for a specific purpose. Intent can be expressed by the District or by an official or body to which the Board of Trustees delegates the authority. In the general fund the District has assigned fund balance of \$17,752,636, the assigned fund balance is divided as follows: \$6,000,000 for catastrophic events, \$5,750,341 for the Industrial Trades Center, \$1,000,000 for special education, \$1,402,526 for Technology Improvements, \$264,538 for Campus activities, and \$3,335,231 for expenditures resulting after the La Marque ISD annexation.
- Unassigned fund balance – amounts that are available for any purpose. At August 31, 2016, the District reports an unassigned fund balance of \$12,769,527.

The District establishes (and modifies or rescinds) fund balance commitments by passage of resolution. A fund balance commitment is further indicated in the budget document as a commitment. Per Policy CE local, assigned fund balance amounts are established by the Superintendent or his designee.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**Net Position**

Net Position on the Statement of Net Position includes the following:

- Net investment in capital assets - this component of net position consists of capital assets, net accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt will be included in this component of net position.
- Restricted for federal and state programs - this component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets, which are restricted by federal and state granting agencies.

**Note 1 - Summary of Significant Accounting Policies (continued)**

**Net Position (continued)**

- Restricted for Debt Service - this component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. The assets arise from bond issuances which have constraints placed on them by the bond covenants for the purpose of future debt service payments.
- Unrestricted net position - this component of net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

**Data Control Codes**

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

In accordance with the Resource Guide, the District has adopted and installed an accounting system which meets at least the minimum requirements prescribed by the Texas State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure presented in the Resource Guide. Mandatory codes are recorded in the order provided in the Resource Guide.

**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.

**New Accounting Standards**

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

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This Statement requires measurements of assets acquired and liabilities assumed generally to be based upon their acquisition values.

GASB Statement No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

**Note 1 - Summary of Significant Accounting Policies (continued)**

**New Accounting Standards (continued)**

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, clarifies the application of certain provisions of Statement No. 68 with regard to information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures include information about any limitations or restrictions on participant withdrawals.

**Note 2 - 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 are approved by the Texas Education Agency and 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. At August 31, 2016, the amount of cash in the bank was \$20,844,177 in the Texas City ISD and La Marque ISD bank accounts, all of which was fully collateralized. Therefore the District was in compliance with the Texas School Depository Act.

**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. The District further limits its investments to obligations of the U.S. Treasury or the State of Texas, certain U.S. Agencies, certificates of deposit, collateralized mortgage obligations, no-load money market mutual funds, certain municipal securities, qualified commercial paper, repurchase agreements, or investment pools.

**Note 2 - Deposits and Investments (continued)**

**Local Government Investment Pools**

For fiscal year 2016, the District invested in the State of Texas TexPool, and Investors Cash Trust (“ICT”) money market mutual fund. TexPool operates in a manner consistent with the SEC’s rule 2a-7 of the Investment Company Act of 1940. As such, TexPool uses amortized cost to report net position and share prices, since those approximate fair values. The State Street Bank is the custodial bank. The portfolio consists of U.S. T-Bills, T-Notes, collateralized repurchase and reverse repurchase agreements, and no-load money market mutual funds regulated by the Securities and Exchange Commission and rated AAA or equivalent by at least one nationally recognized rating service. The money market mutual fund listed on the following page consists of shares owned in Investors Cash Trust; an SEC registered money market fund with the stated objective of maintaining a stable net asset value of \$1.00.

At year-end, the District’s cash and investment balances and the weighted average maturity of these investments were as follows:

	<u>Amortized Cost</u>	<u>Weighted Average Maturity (Days)</u>
<b>Governmental Activities</b>		
Cash and deposits	<u>\$ 17,830,484</u>	
<b>Investments</b>		
Local Government Investment Pools:		
TexPool	<u>17,500,922</u>	44
	<u>17,500,922</u>	
Investment Securities:		
Deutsche Governmental Institutional Shares Money Market Mutual Funds	2,606,750	1
ICT Money Market Mutual Fund	<u>5,102,925</u>	32
	<u>7,709,675</u>	
<b>Total Investments</b>	<u>25,210,597</u>	22
<b>Total Governmental Activities</b>	<u>43,041,081</u>	
<b>Fiduciary Funds</b>		
Cash and Deposits	232,791	
TexPool	<u>72,793</u>	44
<b>Total Fiduciary Funds</b>	<u>305,584</u>	
<b>Total</b>	<u><u>\$ 43,346,665</u></u>	

**Note 2 - Deposits and Investments (continued)**

The District's Investments' fair value measurements are as follows at August 31, 2016:

<u>Investments</u>	<u>Carrying Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u> <u>Inputs</u>	<u>Level 2</u> <u>Inputs</u>	<u>Level 3</u> <u>Inputs</u>
Investment Securities:				
Mutual Funds	\$ 7,709,675	\$ 7,709,675	\$	\$

La Marque ISD reported a total of \$2,605,404 in mutual funds prior to the annexation.

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. To limit the risk that changes in interest rates will adversely affect the fair value of the investments, the District monitors interest rate risk utilizing weighted average maturity (WAM) analysis. The District requires its investment portfolio to have maturities of less than one year on a WAM basis. However, specific to the District's certificates of deposits, maturities longer than one year are authorized within legal limits as long as the certificates of deposit do not exceed two years to stated maturity.

At August 31, 2016, the District's exposure to interest rate risk as measured by the segmented time distribution by investment type for both governmental activities and fiduciary funds is summarized below:

	<u>Carrying Value</u>	<u>Investment Maturity in Years</u>	
		<u>Less than 1</u>	<u>1-2</u>
<b>Local Government Investment Pools:</b>			
TexPool	\$ 17,573,715	\$ 17,573,715	\$
<b>Investment Securities:</b>			
Mutual Funds	<u>7,709,675</u>	<u>7,709,675</u>	
	<u>\$ 25,283,390</u>	<u>\$ 25,283,390</u>	<u>\$</u>

**Credit Risk**

State law and the District's investment policy limits investments in all categories to top ratings issued by nationally recognized statistical rating organizations. As of August 31, 2016, the District's investment in TexPool was rated AAAM by Standard and Poor's. The District's investments in both market mutual funds were rated AAAM by Standard and Poor's. In accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, the Local Government Investment Pools do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. These pools do not impose any liquidity fees or redemption gates.

**Concentration of Credit Risk**

The District's investment policy, except for investments in local government investment pools, requires the investment portfolio to be diversified in terms of investment instruments, maturity scheduling, and financial institutions in order to reduce the risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specific issuer. The District's investment of \$17,573,715 in TexPool (a local government investment pool) represents 70% percent of the District's total investments.

**Note 2 - Deposits and Investments (continued)**

The investments are reported by the District at fair value. There was no change in the fair value of the District's investments during the year ended August 31, 2016. Investment earnings totaled \$159,880 for the year.

**Note 3 - Receivables**

Receivables as of year-end for the District's individual major and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<b>General Fund</b>	<b>Capital Projects</b>	<b>Debt Service Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total</b>
Property Taxes	\$ 6,646,568	\$	\$ 1,010,992	\$	\$ 7,657,560
Due from other governments	5,930,883			1,248,324	7,179,207
Other	56,735			30,081	86,816
Gross Receivables	12,634,186		1,010,992	1,278,405	14,923,583
Less allowance for doubtful accounts	(3,287,229)		(446,478)		(3,733,707)
<b>Net Total Receivables</b>	<b>\$ 9,346,957</b>	<b>\$</b>	<b>\$ 564,514</b>	<b>\$ 1,278,405</b>	<b>\$ 11,189,876</b>

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the District reported unearned revenues in the governmental funds in the amount of \$40,391 for grant funds received prior to meeting all eligibility requirements. The unearned revenues are reported in the Nonmajor governmental funds.

Net receivables attributable to La Marque Independent School District were \$5,646,172 and are included in the totals above.

**Note 4 - Capital Assets**

Texas City ISD's capital asset activity for the year ended August 31, 2016, was as follows:

	<b>Balance August 31, 2015</b>	<b>Additions</b>	<b>(Retirements and Transfers)</b>	<b>Balance August 31, 2016</b>
Capital assets, not being depreciated:				
Land	\$ 5,072,706	\$	\$	\$ 5,072,706
Construction in progress	332,168	4,100,470	(60,040)	4,372,598
<b>Total Capital assets, not being depreciated</b>	<b>5,404,874</b>	<b>4,100,470</b>	<b>(60,040)</b>	<b>9,445,304</b>
Capital assets, being depreciated:				
Buildings and improvements	257,951,821	124,596	(9,214,704)	248,861,713
Furniture and equipment	12,507,877	5,355,892		17,863,769
<b>Total Capital assets, being depreciated</b>	<b>270,459,698</b>	<b>5,480,488</b>	<b>(9,214,704)</b>	<b>266,725,482</b>
Less accumulated depreciation for:				
Buildings and improvements	(94,999,534)	(5,001,229)	8,960,248	(91,040,515)
Furniture and Equipment	(9,101,141)	(960,274)		(10,061,415)
<b>Total Accumulated depreciation</b>	<b>(104,100,675)</b>	<b>(5,961,503)</b>	<b>8,960,248</b>	<b>(101,101,930)</b>
<b>Governmental Capital Assets</b>	<b>\$ 171,763,897</b>	<b>\$ 3,619,455</b>	<b>\$ (314,496)</b>	<b>\$ 175,068,856</b>



**Note 4 - Capital Assets (continued)**

Texas City ISD depreciation expense was charged to functions/programs as follows:

<u>Function</u>	<u>Depreciation Expense</u>
Instruction	\$ 2,810,027
Instructional resources and media services	61,530
Curriculum and staff development	54,601
Instructional leadership	45,875
School leadership	266,098
Guidance, counseling and evaluation services	131,600
Social work services	14,424
Health services	40,090
Student transportation	230,693
Food Services	272,033
Extracurricular activities	214,467
General administration	267,966
Facilities maintenance and operations	1,011,007
Security and monitoring services	100,963
Data processing services	428,609
Community services	11,520
	<u>\$ 5,961,503</u>

Total depreciation expense for La Marque ISD Pre-Annexation as of June 30, 2016, totaled \$1,930,825, see additional information in Note 18 to the financial statements.

Construction budgets and remaining commitments under related construction contracts for Texas City ISD as of August 31, 2016, follows:

<u>Project</u>	<u>Approved Construction Budget</u>	<u>Construction in Progress</u>	<u>Remaining Commitment</u>
Industrial Trade Center (TCHS)	\$ 7,984,624	\$ 4,372,598	\$ 3,637,199

Total Governmental Capital Assets, net of depreciation for La Marque ISD Pre-Annexation as of June 30, 2016, totaled \$23,377,420, see additional information in Note 18 to the financial statements.

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

*Exhibit F-1*  
*(continued)*

**Note 4 - Capital Assets (continued)**

*Impairment of Capital Assets*

A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. As a result of the annexation of La Marque ISD, Texas City Independent School District assessed the value of certain La Marque ISD buildings that at the time of the annexation were not being utilized for the intended purpose, such as schools, which were closed due to a decrease in student enrollment.

The District has evaluated events or changes in circumstances that may have affected the District's assets using the guidance found in GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* and GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* and has determined that an impairment loss is required to be recorded as of August 31, 2016. The impairment loss resulted in a \$314,496 decrease in the Texas City ISD Post-Annexation capital asset balances as of August 31, 2016 as follows:

	<b>Texas City ISD Pre-Annexation</b>	<b>La Marque ISD Pre-Annexation</b>	<b>Total Pre-Annexation</b>	<b>Impairment Adjustment</b>	<b>Texas City ISD Post- Annexation</b>
Capital assets, not being depreciated:					
Land	\$ 4,416,970	\$ 655,736	\$ 5,072,706	\$	\$ 5,072,706
Construction in progress	4,372,598		4,372,598		4,372,598
<b>Total Capital assets, not being depreciated</b>	<b>8,789,568</b>	<b>655,736</b>	<b>9,445,304</b>		<b>9,445,304</b>
Capital assets, being depreciated:					
Buildings and improvements	176,582,716	81,553,741	258,136,457	(9,274,744)	248,861,713
Furniture and equipment	12,931,752	4,668,316	17,600,068		17,600,068
Lease equipment under capital leases		263,701	263,701		263,701
<b>Total Capital assets, being depreciated</b>	<b>189,514,468</b>	<b>86,485,758</b>	<b>276,000,226</b>	<b>(9,274,744)</b>	<b>266,725,482</b>
Less accumulated depreciation for:					
Buildings and improvements	(39,398,854)	(60,601,909)	(100,000,763)	8,960,248	(91,040,515)
Furniture and Equipment	(6,899,250)	(2,898,464)	(9,797,714)		(9,797,714)
Lease equipment under capital leases		(263,701)	(263,701)		(263,701)
<b>Total Accumulated depreciation</b>	<b>(46,298,104)</b>	<b>(63,764,074)</b>	<b>(110,062,178)</b>	<b>8,960,248</b>	<b>(101,101,930)</b>
<b>Governmental Capital Assets</b>	<b>\$ 152,005,932</b>	<b>\$ 23,377,420</b>	<b>\$ 175,383,352</b>	<b>\$ (314,496)</b>	<b>\$ 175,068,856</b>

**Note 5 - Interfund Receivables, Payables, and Transfers**

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

The composition of interfund balances for as of August 31, 2016, is as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Net</u>
<b>Governmental Activities</b>			
General Fund	\$ 7,699,459	\$ 6,971,513	\$ 727,946
Nonmajor Governmental Funds	141	1,028,731	(1,028,590)
Internal Service Funds	300,644		300,644
<b>Total Governmental Activities</b>	<u>\$ 8,000,244</u>	<u>\$ 8,000,244</u>	<u>\$</u>

Interfund transfers are defined as “flows of assets without equivalent flow of assets in return and without a requirement for repayment.” Interfund transfers for the year were made as follows:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>	<u>Purpose</u>
Technology Fund	General Fund	\$ 1,193,593	To close out Technology Fund activity

Interfund balances for La Marque ISD Pre-Annexation as of June 30, 2016 totaled \$733,687, see additional information in Note 18 to the financial statements.

**Note 6 - Compensated Absences and Other Retirement/Sick Leave Benefits**

Upon retirement or death of certain employees, the District pays any accrued sick and vacation leave in a lump sum cash payment to such employee or the employee’s estate. Individuals employed after October 1, 1985 are not eligible to receive the lump sum payments.

The following summarizes the District’s liability and the changes for the year:

	<u>Balance September 1, 2015</u>	<u>Additions</u>	<u>Deductions - Payments to Participants</u>	<u>Balance August 31, 2016</u>
Compensated absences payable	\$ 466,730	\$ 35,619	\$ (161,093)	\$ 341,256

As of June 30, 2016, La Marque ISD had no compensated absences payable, see additional information in Note 18 to the financial statements.

**Note 7 - Long-term Liabilities**

The District has entered into a continuing disclosure undertaking to provide annual reports and material event notices to the State Information Depository of Texas through the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of Texas City Independent School District.

**Changes in Long-term Liabilities**

The District's long-term liability activity for the year ended August 31, 2016, was as follows:

	<b>Balance September 1, 2015</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance August 31, 2016</b>	<b>Due Within One Year</b>
General Obligation Bonds	\$ 123,647,633	\$	\$ (6,547,633)	\$ 117,100,000	\$ 7,105,000
Issuance Premiums/Discounts	10,759,160		(789,736)	9,969,424	
Maintenance Tax Note & Other Loans	707,306	4,050,000	(220,320)	4,536,986	1,027,303
Accreted interest on capital appreciation bonds	305,861	16,507	(322,368)		
<b>Total Bonds and Notes Payable</b>	<b>135,419,960</b>	<b>4,066,507</b>	<b>(7,880,057)</b>	<b>131,606,410</b>	<b>8,132,303</b>
Other Liabilities					
Compensated absences payable	466,730	35,619	(161,093)	341,256	85,314
<b>Total Other Liabilities</b>	<b>466,730</b>	<b>35,619</b>	<b>(161,093)</b>	<b>341,256</b>	<b>85,314</b>
	<b>\$ 135,886,690</b>	<b>\$ 4,102,126</b>	<b>\$ (8,041,150)</b>	<b>\$ 131,947,666</b>	<b>\$ 8,217,617</b>

**General Obligation Bonds**

General obligation bonds are direct obligations and pledge the full faith and credit of the District. These are issued as current interest bonds and term bonds with various amounts of principal maturing each year.

General obligation bonds currently outstanding are as follows:

<b>Issue</b>	<b>Original Issuance amount</b>	<b>Interest Rate (%)</b>	<b>Maturity Date</b>	<b>Debt Outstanding</b>
Unlimited Tax School Building Bonds, Series 2008	\$ 54,565,000	3.5% to 5.0%	2017	\$ 2,540,000
Unlimited Tax School Building Bonds, Series 2009	28,910,000	3.5% to 5.0%	2030	24,570,000
Unlimited Tax School Building Bonds, Series 2010A	25,810,000	2.0-5.0%	2030	21,045,000
Unlimited Tax School Building Bonds, Series 2011	8,845,000	2.0-4.0%	2030	6,745,000
Unlimited Tax School Building Bonds, Series 2015	44,050,000	2.0-5.0%	2030	43,755,000
Unlimited Tax Shoolhouse and Refunding Bonds, Series 2003*	24,094,571	4.375-5.375%	2025	270,000
Unlmited Tax Refunding Bonds, Series 2011*	19,410,000	2.0-5.0%	2025	18,175,000
				<b>\$ 117,100,000</b>

\* La Marque ISD

Bonds related to La Marque Independent School District totaled \$18,445,000.

**Note 7 - Long-term Liabilities (continued)**

Debt service requirements to maturity are as follows:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2017	\$ 7,105,000	\$ 4,941,748	\$ 12,046,748
2018	7,400,000	4,650,127	12,050,127
2019	7,645,000	4,405,386	12,050,386
2020	7,930,000	4,125,883	12,055,883
2021	8,230,000	3,825,247	12,055,247
2022	15,675,000	3,981,470	19,656,470
2023	6,705,000	2,805,032	9,510,032
2024	7,000,000	2,505,582	9,505,582
2025	7,330,000	2,178,232	9,508,232
2026	7,675,000	1,835,282	9,510,282
2027	8,035,000	1,472,132	9,507,132
2028	8,410,000	1,093,520	9,503,520
2029	8,810,000	693,250	9,503,250
2030	9,150,000	354,876	9,504,876
	<u>\$ 117,100,000</u>	<u>\$ 38,867,767</u>	<u>\$ 155,967,767</u>

**Prior Years' Refunding of Long-Term Debt**

In prior years, the District defeased certain general obligation debt by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the refunded debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the District's financial statements. At August 31, 2016, \$44,745,000 of defeased bonds remain outstanding.

**Maintenance Tax Note & Other Loans**

During the fiscal year, the District issued a Maintenance Tax Note, Series 2016 totaling \$4,050,000. The proceeds from the sale of the tax note will be used 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.

Maintenance Tax Note & Other Loans outstanding as of August 31, 2016 is the following:

<u>Notes Payable</u>	<u>Original issuance amount</u>	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Debt Outstanding</u>
Maintenance Tax Notes Series 2016	\$ 4,050,000	0.8-1.4%	2021	\$ 4,050,000
Other Loan - La Marque ISD	1,450,752	2.0%	2019	486,986
				<u>\$ 4,536,986</u>

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

*Exhibit F-1*  
*(continued)*

**Note 7 - Long-term Liabilities (continued)**

Maintenance Tax Note payment requirements are as follows:

<b>Year Ending August 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Requirements</b>
2017	\$ 800,000	\$ 37,861	\$ 837,861
2018	800,000	35,810	835,810
2019	810,000	28,610	838,610
2020	815,000	20,510	835,510
2021	825,000	11,138	836,138
	<u>\$ 4,050,000</u>	<u>\$ 133,929</u>	<u>\$ 4,183,929</u>

Other Loan payment requirements are as follows:

<b>Year Ending August 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Requirements</b>
2017	\$ 227,303	\$ 11,004	\$ 238,307
2018	231,025	3,463	234,488
2019	28,658	140	28,798
	<u>\$ 486,986</u>	<u>\$ 14,607</u>	<u>\$ 501,593</u>

The payment for the other loan presented in the Long-term liability activity schedule of \$55,493 is a payment made related to a loan from La Marque ISD Pre-Annexation that was due after June 30, 2016 and before August 31, 2016.

**Note 8 - Revenues from Local, Intermediate, and Out-of-State Sources**

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

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects</b>	<b>Nonmajor Governmental Funds</b>	<b>Total</b>
Property Taxes	\$ 56,838,880	\$ 11,841,383	\$	\$	\$ 68,680,263
Penalties, interest and other tax related revenue	388,721	66,363			455,084
Investment Income	137,226	17,909		18,550	173,685
Co-curricular student activities	2,685,206			1,281,745	3,966,951
Tuition and fees	11,050				11,050
Food Sales				1,391,807	1,391,807
Other	299,762	1,016	114,313	60,467	475,558
	<u>\$ 60,360,845</u>	<u>\$ 11,926,671</u>	<u>\$ 114,313</u>	<u>\$ 2,752,569</u>	<u>\$ 75,154,398</u>

Revenues from Local, Intermediate, and Out-of-State Sources related to La Marque ISD as of June 30, 2016 totaled \$19,308,379, see additional information in Note 18 to the financial statements.

**Note 9 - General Fund Federal Source Revenues**

The District’s federal revenues recorded in the general funds consisted of the following:

<u>Program or Source</u>	<u>CFDA #</u>	<u>Amount</u>
School Health and Related Service (SHARS)	N/A	\$ 1,089,876
Navy JROTC	N/A	34,844
		<u>\$ 1,124,720</u>

General fund federal revenues related La Marque ISD as of June 30, 2016 totaled \$502,509, see additional information in Note 18 to the financial statements.

**Note 10 - Operating Leases**

Commitments under operating lease (non-capitalized) agreements for facilities and equipment are subject to fiscal funding clauses. As such, the agreements are cancelable and the District is therefore not obligated for minimum future rental payments as of August 31, 2016.

Rental expenditures for the year ended August 31, 2016 totaled \$267,795.

Operating leases for La Marque ISD Pre-Annexation as of June 30, 2016 totaled \$44,030, see additional information in Note 18 to the financial statements.

**Note 11 - Defined Benefit Retirement Plan**

*Plan Description*

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

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

*Pension Plan Fiduciary Net Position*

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

**Note 11 - Defined Benefit Retirement Plan (continued)**

***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 se years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic postemployment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

***Contributions***

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

	<b>Contribution Rates</b>	
	<b>Plan Fiscal year</b>	
	<b>2015</b>	<b>2016</b>
Member (Employee)	6.7%	7.2%
Non-employer contributing agency (State)	6.8%	6.8%
District	6.8%	6.8%



**Note 11 - Defined Benefit Retirement Plan (continued)**

*Contributions (continued)*

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA). Contributions and pension expense for all contributors for the District were as follows:

	<u>Measurement Year (2015)</u>	<u>Fiscal Year (2016)</u>
	<u>Contributions Required and Made</u>	<u>TRS Contributions</u>
Member (Employee)	\$ 3,363,001	\$ 3,632,687
Non-employer contributing agency (State)	2,434,421	2,397,147
District	1,633,153	1,702,088

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.

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.

**Note 11 - Defined Benefit Retirement Plan (continued)**

*Actuarial Assumptions*

The total pension liability in the August 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.5%
Salary Increases	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

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

*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%. 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.

**Note 11 - Defined Benefit Retirement Plan (continued)**

*Discount Rate (continued)*

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2015, are summarized below:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Real Return Geometric Basis</b>	<b>Expected Portfolio Real Rate of Return*</b>
<b>Global Equity</b>			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
<b>Stable Value</b>			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
<b>Real Return</b>			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
<b>Risk Parity</b>			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
<b>Total</b>	<b>100%</b>		<b>8.7%</b>

*\*The expected Contributions to Returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.*

**Discount Rate Sensitivity Analysis**

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2015 Net Pension Liability for the District.

	<b>1% Decrease 7%</b>	<b>Current Discount Rate 8%</b>	<b>1% Increase 9%</b>
District's proportional share of the net pension liability	\$ 30,547,211	\$ 19,496,417	\$ 10,291,793

**Note 11 - Defined Benefit Retirement Plan (continued)**

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

At August 31, 2016, the District reported a liability of \$19,496,417 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 19,496,417
State's proportionate share of the net pension liability associated with the District	<u>29,089,883</u>
Total	<u><u>\$ 48,586,300</u></u>

The net pension liability was measured as of August 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2014 through August 31, 2015. Of the net pension liability presented above, \$5,321,106 was attributable to La Marque ISD.

At August 31, 2015 the employer's proportion of the collective net pension liability was 0.0552%, which was an increase from its proportion measured as of August 31, 2014 of 0.0348%.

**Changes since the Prior Actuarial Valuation**

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

*Economic Assumptions*

1. The inflation assumption was decreased from 3.00% to 2.50%.
2. The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
3. In accordance with the observed experience, there were small adjustments in the service based promotional/longevity component of the salary scale.
4. The payroll growth assumption was lowered from 3.50% to 2.50%.

**Note 11 - Defined Benefit Retirement Plan (continued)**

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Inflows of Resources Related to Pension (continued)***

*Mortality Assumptions*

5. The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
6. The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
7. The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

*Other Demographic Assumptions*

8. Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
9. There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
10. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
11. Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
12. For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

*Actuarial Methods and Policies*

13. The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

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

For the year ended August 31, 2016, the District, recognized pension expense of \$3,117,518 as well as revenue of \$4,144,840 representing pension expense incurred by the State on behalf of the District.

**Note 11 - Defined Benefit Retirement Plan (continued)**

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Inflows of Resources Related to Pension (continued)*

At August 31, 2016, Texas City ISD Pre-Annexation reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 2,707,095	\$ (206,148)
Changes in actuarial assumptions	535,564	(695,547)
Net difference between projected and actual investment earnings	2,530,555	
Changes in proportion and differences between District contributions and proportionate share of contributions	1,545,463	(545,277)
Contributions paid to TRS subsequent to the measurement date	1,702,088	
Total	<u>\$ 9,020,765</u>	<u>\$ (1,446,972)</u>

The \$1,702,088 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, 2017. The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended August 31</b>	<b>Amount</b>
2017	\$ (1,031,213)
2018	(1,031,213)
2019	(1,031,213)
2020	(1,788,206)
2021	(579,879)
2022	(409,986)
	<u>\$ (5,871,710)</u>

The amounts attributable to La Marque ISD for deferred outflows relating to pension activities were \$2,801,655; for deferred inflows relating to pension activities were \$394,836; pension expense of \$929,121 as well as revenue of \$875,562 representing pension expense incurred by the State on behalf of the La Marque ISD prior to the annexation. See Note 18 for additional information.

**Note 12 - Retiree Health Plan**

***Plan Description***

The Texas City Independent School District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas (TRS). TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under TRS. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, or by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publications heading. The Texas Legislature determines the funding of benefits and has no continuing obligation to provide benefits beyond each fiscal year. Currently, the benefits of TRS-Care are financed through a combination of retiree premiums and percentage of payroll contributions from active employees, school districts, and the State of Texas.

***Funding Policy***

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1% and .65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at .55% for fiscal years 2016, 2015, and 2014. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than .25% or greater than .75% of the salary of each active employee of the public school. For staff members funded by federal programs, the federal programs are required to contribute 1%.

Contributions made by the State, District, and staff members for the District for the years ended August 31, 2016, 2015, and 2014 are as follows:

<b>For the Year Ended August 31</b>	<b>State TRS Care Contributions Made on Behalf of the District</b>	<b>District Required Contributions to TRS Care</b>	<b>Staff Members' Contributions to TRS Care</b>	<b>Total Covered Payroll</b>
2016	\$ 460,309	\$ 355,406	\$ 331,441	\$ 50,996,372
2015	447,612	337,950	326,457	50,195,373
2014	437,621	312,747	314,642	48,414,128

For the current fiscal year and each of the past two years, the District's contributions were equal to 100% of the required contributions. The contributions made by the State on behalf of the District have been recorded in the governmental funds financial statements of the District as both state revenues and expenditures. These contributions are the legal responsibility of the state.

**Note 12 - Retiree Health Plan (continued)**

***Funding policy (continued)***

The Medicare Prescription Drug Improvement and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care receives retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended August 31, 2016, 2015, and 2014, the subsidy payments received by the TRS-Care on-behalf of the district were \$110,786, \$155,031, and \$122,884 respectively. The payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District.

**Note 13 - Risk Management**

**Property/Liability**

The District is exposed to various risks of loss related to property/liability losses for which the District carries commercial insurance.

**Health Insurance**

The Board of Trustees approved the district's participation in the TRS (Texas Retirement System) Active Care Health Insurance Program as sponsored by the Teacher Retirement System of Texas and administered by Blue Cross Blue Shield of Texas and Medco Health (pharmacy) effective September 1, 2007. This is a premium-based plan; payments are made on a monthly basis for all covered employees.

**Workers' Compensation**

During the year ended August 31, 2016, 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 Safety National Casualty Corp. which limited annual claims paid from the Plan for the year ended August 31, 2016, to \$250,000 per occurrence with a maximum level of indemnity of \$3,000,000 and aggregate losses exceeding \$1,250,000 over a two year period.

Premiums are paid into the internal service fund by all other funds and are available to pay claims, claim reserves, and administrative costs of the program. These interfund premiums are reported as revenues in the internal service fund.



**Note 13 - Risk Management**

**Workers' Compensation (continued)**

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 \$300,000 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 coverage for each of the past three fiscal years. Changes in the balances of claims liabilities during the past three years for the Texas City ISD Pre-Annexation are as follows:

<u>Fiscal Year</u>	<u>Beginning of Year Accrual</u>	<u>Current Year Estimates</u>	<u>Claims Payments</u>	<u>End of Year Accrual</u>
2014	\$ 876,217	\$ 435,728	\$ (619,091)	\$ 692,854
2015	692,854	276,543	(308,468)	660,929
2016	660,929	142,670	(86,058)	717,541

**Note 14 - Shared Service Arrangements / Joint Ventures**

The District participates in a shared services arrangement for Juvenile Justice Alternative Education Program with five other school districts. Although 21.9% of the activity of the shared services arrangement is attributable to the District's participation, the District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Dickinson ISD, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Texas City Independent School District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement.

Presented below are the revenues and expenditures attributable to Texas City ISD, prior to the annexation:

Revenues	
5700 Local revenue from member districts	\$ 43,136
	<u>\$ 43,136</u>
Expenditures	
6100 Payroll costs	\$ 39,025
6200 Contracted services	3,878
6300 Supplies and materials	190
6400 Miscellaneous operating costs	43
	<u>\$ 43,136</u>

**Note 14 - Shared Service Arrangements / Joint Ventures (continued)**

The District participates in a shared services arrangement for the Galveston County Transforming Lives Cooperative program with five other school districts. Although only a portion of the overall activity of the shared services arrangement is attributable to the District’s participation, the District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Dickinson ISD, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Texas City Independent School District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. Revenues attributable to the District’s participation totaled \$638. Expenditures in the same amount were attributable to the District’s participation, all of which were used for payroll costs. The District participates in a shared services arrangement for the Galveston - Brazoria Co-op for Hearing with one other school district. Although 8.0% of the activity of the shared services arrangement is attributable to the District’s participation, the District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Clear Creek Independent School District, 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 Texas City Independent School District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. Presented below are the revenues and expenditures attributable to the District’s participation.

Revenues	
5700 Local revenue from member districts	\$ 92,800
	<u>\$ 92,800</u>
Expenditures	
6100 Payroll costs	\$ 72,727
6200 Contracted services	10,134
6300 Supplies and materials	8,324
6400 Miscellaneous operating costs	1,615
	<u>\$ 92,800</u>

The District participates in a shared services arrangement for services for visually impaired students with one other school district. Although only a portion of the overall activity of the shared services arrangement is attributable to the District’s participation, the District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Galveston Independent School District, 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 Texas City Independent School District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. Revenues attributable to the District’s participation totaled \$30,133. Expenditures in the same amount were attributable to the District’s participation, all of which were used for payroll costs.

Prior to the annexation, La Marque ISD participated in the Galveston- Brazoria Co-o (GBCHI) shared services arrangement and reported \$38,634. It also reported \$16,591 in revenues and expenditures related to its participation in the Galveston ISD’s shared service arrangement for the visually impaired. The District also participated in the Galveston County Transforming Lives Cooperative (TLC) Program and reported \$43,792 in revenues and expenditures.

**Note 15 - Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of management and the District's counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the District.

**Note 16 - Contracted Instructional Services between Schools**

During the year ended August 31, 2016, the District was required to pay to purchase attendance credits to equalize its wealth per weighted average daily attendance ("WADA"). The purchase of WADA was made from the State of Texas. The final amount payable will be determined by the Texas Education Agency.

**Note 17 - Other Postemployment Benefits**

The District does not provide postemployment healthcare benefits except those mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the district.

**Note 18 - Annexation of La Marque Independent School District into Texas City Independent School District.**

The Texas Education Agency's Commissioner of Education ordered the closure of La Marque Independent School District (La Marque ISD) effective July 1, 2016. As of this date, the District was annexed by Texas City Independent School District. In accordance with GASB Statement No. 69 *Government Combinations and Disposals of Government Operations* (GASB No. 69), La Marque Independent School District's assets, deferred outflows, liabilities and deferred inflows and result of operations will be reflected on the financial statements of Texas City Independent School District as though the entities had been combined at the beginning of Texas City Independent School District's fiscal year (i.e. September 1, 2015). This annexation is defined as a *government merger*; per GASB No. 69, a government merger is a government combination of legally separate entities in which no significant consideration is exchanged and one legally separate governmental entity (La Marque ISD) ceases to exist and its operations are absorbed into one continuing government (Texas City ISD).

The Annual Financial and Compliance Report of La Marque ISD for the Ten month period ended June 30, 2016 was issued on October 7, 2016 and is available for review on the Texas Education Agency website. Throughout the notes of this Texas City ISD report, the effect of La Marque ISD's annexation into Texas City ISD has been disclosed.

For purposes of this Note, the activity listed under "Texas City ISD Pre-Annexation" includes the activity for Texas City ISD from September 1, 2015 to August 31, 2016 and the activity that would have corresponded to La Marque ISD from July 1, 2016 to August 31, 2016. The activity listed under "La Marque ISD Pre-Annexation" includes activity for La Marque ISD from September 1, 2015 to June 30, 2016.

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

*Exhibit F-1*  
*(continued)*

**Note 18 - Annexation of La Marque Independent School District into Texas City Independent School District - (continued)**

**Governmental Activities**

	<b>Texas City ISD Pre-Annexation</b>	<b>La Marque ISD Pre-Annexation</b>	<b>Texas City ISD Post-Annexation</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 33,933,116	\$ 9,107,965	\$ 43,041,081
Property taxes receivables, net	1,397,673	2,526,180	3,923,853
Due from other governments	4,546,787	2,632,419	7,179,206
Other receivables, net	(402,966)	489,782	86,816
Inventories	189,653	6,325	195,978
Prepaid items	832,114		832,114
Capital assets not subject to depreciation:			
Land	4,416,970	655,736	5,072,706
Construction in progress	4,372,598		4,372,598
Capital assets net of depreciation:			
Buildings and improvements, net	136,869,366	20,951,832	157,821,198
Furniture and equipment, net	<u>6,032,502</u>	<u>1,769,852</u>	<u>7,802,354</u>
<b>Total Assets</b>	<u>192,187,813</u>	<u>38,140,091</u>	<u>230,327,904</u>
<b>Deferred Outflows of Resources</b>			
Deferred charge on refunding	3,097,388	914,838	4,012,226
Deferred outflows relating to pension activities	<u>6,219,110</u>	<u>2,801,655</u>	<u>9,020,765</u>
<b>Total Deferred Outflows of Resources</b>	<u>9,316,498</u>	<u>3,716,493</u>	<u>13,032,991</u>
<b>Liabilities</b>			
Accounts payable	6,474,337	481,010	6,955,347
Interest payable	216,331	332,086	548,417
Payroll deductions and withholdings	(355,597)	389,326	33,729
Accrued wages payable	2,580,056	13,447	2,593,503
Due to other governments	1,293,704	58,248	1,351,952
Accrued expenses	120,294	624,399	744,693
Unearned revenue	14,468	25,923	40,391
Noncurrent Liabilities:			
Due within one year	6,249,821	1,967,796	8,217,617
Due in more than one year	104,802,068	18,927,981	123,730,049
Net pension liability	<u>14,175,311</u>	<u>5,321,106</u>	<u>19,496,417</u>
<b>Total Liabilities</b>	<u>135,570,793</u>	<u>28,141,322</u>	<u>163,712,115</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows relating to pension activities	<u>1,052,136</u>	<u>394,836</u>	<u>1,446,972</u>
<b>Total Deferred Inflows of Resources</b>	<u>1,052,136</u>	<u>394,836</u>	<u>1,446,972</u>
<b>Net Position</b>			
Net investment in capital assets	45,167,220	3,938,960	49,106,180
Restricted for:			
Federal and state programs	33,993	747,940	781,933
Debt service	1,079,036	2,345,437	3,424,473
Unrestricted	<u>18,601,133</u>	<u>6,288,089</u>	<u>24,889,222</u>
<b>Total Net Position</b>	<u>\$ 64,881,382</u>	<u>\$ 13,320,426</u>	<u>\$ 78,201,808</u>

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

*Exhibit F-1*  
*(continued)*

**Note 18 - Annexation of La Marque Independent School District into Texas City Independent School District - (continued)**

**Governmental Activities**

	<u>Texas City ISD Pre-Annexation</u>	<u>La Marque ISD Pre-Annexation</u>	<u>Texas City ISD Post-Annexation</u>
<b>Revenues</b>			
<b>Program revenues:</b>			
Charges for services	\$ 4,868,981	\$ 800,646	\$ 5,669,627
Operating grants	11,092,534	6,817,730	17,910,264
Capital Grants	114,313		114,313
<b>General revenues:</b>			
Property taxes	50,718,932	18,636,970	69,355,902
State Aid - Formula Grants	11,347,419	2,549,434	13,896,853
Interest earnings	155,641	4,239	159,880
Other	19,648	58,760	78,408
<b>Total Revenues</b>	<u>78,317,468</u>	<u>28,867,779</u>	<u>107,185,247</u>
<b>Expenses</b>			
Instruction	38,444,280	12,821,339	51,265,619
Instructional resources and media services	793,676	84,080	877,756
Curriculum and staff development	1,010,280	436,616	1,446,896
Instructional leadership	514,062	641,626	1,155,688
School leadership	3,937,297	1,668,450	5,605,747
Guidance, counseling, and evaluation service	1,918,605	441,820	2,360,425
Social work services	171,342	19,647	190,989
Health services	562,950	270,600	833,550
Student transportation	1,289,794	1,201,551	2,491,345
Food services	4,373,112	1,785,189	6,158,301
Extracurricular activities	2,524,789	752,086	3,276,875
General administration	3,344,312	1,401,567	4,745,879
Facilities maintenance and operations	10,605,172	3,668,183	14,273,355
Security and monitoring services	1,090,932	414,794	1,505,726
Data processing services	3,532,803	649,295	4,182,098
Community services	227,703	78,182	305,885
Interest on long-term debt	4,400,475	635,884	5,036,359
Bond issuance cost and fees	53,650	31,369	85,019
Facilities repair and maintenance	60,515		60,515
Contracted instructional services between schools	1,382,460		1,382,460
Payments related to shared services arrangements	200,134	99,017	299,151
Payments to Juvenile Justice Alternative Education Programs	638		638
Other governmental charges	437,953	153,484	591,437
<b>Total Expenses</b>	<u>80,876,934</u>	<u>27,254,779</u>	<u>108,131,713</u>
Excess (deficiency) before special items	(2,559,466)	1,613,000	(946,466)
<i>Special item</i> - capital assets impairment loss	(314,496)		(314,496)
Increase (Decrease) in Net Position	(2,873,962)	1,613,000	(1,260,962)
<b>Net position - beginning - see Note 18</b>	<u>67,755,344</u>	<u>11,707,426</u>	<u>79,462,770</u>
<b>Net position - ending</b>	<u>\$ 64,881,382</u>	<u>\$ 13,320,426</u>	<u>\$ 78,201,808</u>

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

*Exhibit F-1*  
*(continued)*

**Note 18 - Annexation of La Marque Independent School District into Texas City Independent School District - (continued)**

Governmental Fund Types includes the following funds: General Fund, Debt Service Fund, Capital Projects and Nonmajor Governmental Funds

**Governmental Fund Types**

	<b>Texas City ISD Pre-Annexation</b>	<b>La Marque ISD Pre-Annexation</b>	<b>Texas City ISD Post-Annexation</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 33,109,752	\$ 7,801,707	\$ 40,911,459
<b>Receivables:</b>			
Delinquent property taxes receivables	2,807,853	4,849,707	7,657,560
Allowance for uncollectible taxes (credit)	(1,410,180)	(2,323,527)	(3,733,707)
Receivables from other governments	4,546,788	2,632,419	7,179,207
Due from other funds	7,055,937	643,663	7,699,600
Other receivables	(400,757)	487,573	86,816
Inventories, at cost	189,653	6,325	195,978
Prepaid items	832,114		832,114
<b>Total Assets</b>	<u>\$ 46,731,160</u>	<u>\$ 14,097,867</u>	<u>\$ 60,829,027</u>
<b>Liabilities, Deferred Inflows, and Fund Balance</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 6,472,164	\$ 475,375	\$ 6,947,539
Payroll deduction and withholdings payable	(355,597)	389,326	33,729
Accrued wages payable	2,580,056	13,447	2,593,503
Due to other funds	7,266,557	733,687	8,000,244
Payable to other governments	1,293,704	58,248	1,351,952
Due to others		27,152	27,152
Unearned revenues	14,468	25,923	40,391
<b>Total Liabilities</b>	<u>17,271,352</u>	<u>1,723,158</u>	<u>18,994,510</u>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenues	1,583,538	2,340,181	3,923,719
<b>Total Deferred Inflows of Resources</b>	<u>1,583,538</u>	<u>2,340,181</u>	<u>3,923,719</u>
<b>Fund Balances:</b>			
<b>Nonspendable:</b>			
Inventories	189,653	6,325	195,978
Prepaid items	832,114		832,114
<b>Restricted:</b>			
Federal/State grant restrictions	16,587	665,821	682,408
Capital acquisitions	1,235,367	206,929	1,442,296
Debt service	1,098,135	2,337,718	3,435,853
<b>Committed:</b>			
Other purposes	760,450	39,536	799,986
<b>Assigned:</b>			
Other assigned	17,752,636		17,752,636
<b>Unassigned</b>	5,991,328	6,778,199	12,769,527
<b>Total fund balances</b>	<u>27,876,270</u>	<u>10,034,528</u>	<u>37,910,798</u>
<b>Total Liabilities, Deferred Inflows, and Fund Balances</b>	<u>\$ 46,731,160</u>	<u>\$ 14,097,867</u>	<u>\$ 60,829,027</u>

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

*Exhibit F-1*  
*(continued)*

**Note 18 - Annexation of La Marque Independent School District into Texas City Independent School District - (continued)**

**Governmental Fund Types**

	<u>Texas City ISD Pre-Annexation</u>	<u>La Marque ISD Pre-Annexation</u>	<u>Texas City ISD Post-Annexation</u>
<b>Revenues</b>			
Local, intermediate, and out-of-state	\$ 55,846,019	\$ 19,308,379	\$ 75,154,398
State program revenues	13,815,669	3,468,733	17,284,402
Federal program revenues	7,272,317	5,586,507	12,858,824
<b>Total revenues</b>	<u>76,934,005</u>	<u>28,363,619</u>	<u>105,297,624</u>
<b>Expenditures</b>			
<b>Current:</b>			
Instruction	34,733,054	11,431,599	46,164,653
Instructional resources and media services	735,681	63,144	798,825
Curriculum and staff development	933,002	423,945	1,356,947
Instructional leadership	473,879	620,525	1,094,404
School leadership	3,622,592	1,555,934	5,178,526
Guidance, counseling and evaluation services	1,763,342	396,862	2,160,204
Social work services	161,116	14,346	175,462
Health services	519,215	256,584	775,799
Student transportation	3,480,577	1,183,331	4,663,908
Food services	4,090,938	1,881,137	5,972,075
Extracurricular activities	2,576,771	699,426	3,276,197
General administration	3,096,075	1,311,629	4,407,704
Facilities maintenance and operations	10,383,460	3,406,844	13,790,304
Security and monitoring services	1,268,838	413,823	1,682,661
Data processing services	3,836,591	1,538,860	5,375,451
Community services	206,973	74,010	280,983
<b>Debt service:</b>			
Principal on long-term debt	5,280,493	1,487,460	6,767,953
Interest on long-term debt	4,726,564	787,485	5,514,049
Bond issuance costs and fees	53,650	31,369	85,019
<b>Capital outlay:</b>			
Facilities acquisition and construction	4,216,398	49,200	4,265,598
<b>Intergovernmental:</b>			
Contracted instructional services	1,382,460		1,382,460
Payments related to shared services arrangements	200,134	99,017	299,151
Payments to Juvenile Justice Alt. Ed. Prgm.	638		638
Other governmental charges	437,953	153,484	591,437
<b>Total Expenditures</b>	<u>88,180,394</u>	<u>27,880,014</u>	<u>116,060,408</u>
Excess (deficiency) of revenues over expenditures	<u>(11,246,389)</u>	<u>483,605</u>	<u>(10,762,784)</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds from loan	4,050,000		4,050,000
Transfers in	1,193,593		1,193,593
<b>Total other financing sources and uses</b>	<u>5,243,593</u>		<u>5,243,593</u>
Net change in fund balances	(6,002,796)	483,605	(5,519,191)
<b>Fund Balance - beginning - see Note 18</b>	<u>33,879,066</u>	<u>9,550,923</u>	<u>43,429,989</u>
<b>Fund Balance - ending</b>	<u>\$ 27,876,270</u>	<u>\$ 10,034,528</u>	<u>\$ 37,910,798</u>

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

*Exhibit F-1*  
*(continued)*

**Note 18 - Annexation of La Marque Independent School District into Texas City Independent School District - (continued)**

**General Fund**

	<u>Texas City ISD</u> <u>Pre-Annexation</u>	<u>La Marque ISD</u> <u>Pre-Annexation</u>	<u>Texas City ISD</u> <u>Post-Annexation</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 26,984,226	\$ 4,991,137	\$ 31,975,363
<b>Receivables:</b>			
Delinquent property taxes receivables	2,438,485	4,208,083	6,646,568
Allowance for uncollectible taxes (credit)	(1,238,045)	(2,049,184)	(3,287,229)
Receivables from other governments	4,141,719	1,789,164	5,930,883
Due from other funds	7,055,796	643,663	7,699,459
Other receivables	(24,264)	80,999	56,735
Inventories, at cost	172,247		172,247
Prepaid items	832,114		832,114
<b>Total Assets</b>	<u>\$ 40,362,278</u>	<u>\$ 9,663,862</u>	<u>\$ 50,026,140</u>
<b>Liabilities, Deferred Inflows, and Fund Balance</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 3,854,932	\$ 365,338	\$ 4,220,270
Payroll deduction and withholdings payable	(355,597)	389,326	33,729
Accrued wages payable	2,522,214	13,447	2,535,661
Due to other funds	6,881,489	90,024	6,971,513
Payable to other governments	1,351,952		1,351,952
Due to others		27,152	27,152
<b>Total Liabilities</b>	<u>14,254,990</u>	<u>885,287</u>	<u>15,140,277</u>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenues	1,358,963	2,000,376	3,359,339
<b>Total Deferred Inflows of Resources</b>	<u>1,358,963</u>	<u>2,000,376</u>	<u>3,359,339</u>
<b>Fund Balances:</b>			
<b>Nonspendable:</b>			
Inventories	172,247		172,247
Prepaid items	832,114		832,114
<b>Assigned:</b>			
Other assigned	17,752,636		17,752,636
<b>Unassigned</b>	<u>5,991,328</u>	<u>6,778,199</u>	<u>12,769,527</u>
<b>Total fund balances</b>	<u>24,748,325</u>	<u>6,778,199</u>	<u>31,526,524</u>
<b>Total Liabilities, Deferred Inflows, and Fund Balances</b>	<u>\$ 40,362,278</u>	<u>\$ 9,663,862</u>	<u>\$ 50,026,140</u>



**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

*Exhibit F-1*  
*(continued)*

**Note 18 - Annexation of La Marque Independent School District into Texas City Independent School District - (continued)**

<b>General Fund</b>	<b>Texas City ISD Pre-Annexation</b>	<b>La Marque ISD Pre-Annexation</b>	<b>Texas City ISD Post-Annexation</b>
<b>Revenues</b>			
Local, intermediate, and out-of-state	\$ 44,374,688	\$ 15,986,157	\$ 60,360,845
State program revenues	13,565,992	3,066,043	16,632,035
Federal program revenues	622,211	502,509	1,124,720
<b>Total revenues</b>	<u>58,562,891</u>	<u>19,554,709</u>	<u>78,117,600</u>
<b>Expenditures</b>			
<b>Current:</b>			
Instruction	31,271,635	8,461,121	39,732,756
Instructional resources and media services	707,958	63,144	771,102
Curriculum and staff development	806,388	246,290	1,052,678
Instructional leadership	442,517	348,455	790,972
School leadership	3,421,886	1,240,308	4,662,194
Guidance, counseling and evaluation services	1,585,837	334,420	1,920,257
Social work services	93,304	7,341	100,645
Health services	490,608	256,584	747,192
Student transportation	1,107,182	1,105,464	2,212,646
Food services	35,000	887	35,887
Extracurricular activities	2,393,555	611,167	3,004,722
General administration	3,084,701	1,295,446	4,380,147
Facilities maintenance and operations	9,818,762	3,385,801	13,204,563
Security and monitoring services	1,268,838	402,578	1,671,416
Data processing services	3,836,591	1,521,479	5,358,070
Community services	13,446	16,160	29,606
<b>Debt service:</b>			
Principal on long-term debt	55,493	164,827	220,320
Interest on long-term debt	3,130	11,040	14,170
<b>Capital outlay:</b>			
Facilities acquisition and construction	4,216,398		4,216,398
<b>Intergovernmental:</b>			
Contracted instructional services	1,382,460		1,382,460
Payments related to shared services arrangements	200,134	99,017	299,151
Payments to Juvenile Justice Alt. Ed. Prgm.	638		638
Other governmental charges	437,953	153,484	591,437
<b>Total Expenditures</b>	<u>66,674,414</u>	<u>19,725,013</u>	<u>86,399,427</u>
Excess (deficiency) of revenues over expenditures	<u>(8,111,523)</u>	<u>(170,304)</u>	<u>(8,281,827)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	1,193,593		1,193,593
<b>Total other financing sources and uses</b>	<u>1,193,593</u>		<u>1,193,593</u>
Net change in fund balances	(6,917,930)	(170,304)	(7,088,234)
<b>Fund Balance - beginning - see Note 18</b>	<u>31,666,255</u>	<u>6,948,503</u>	<u>38,614,758</u>
<b>Fund Balance - ending</b>	<u>\$ 24,748,325</u>	<u>\$ 6,778,199</u>	<u>\$ 31,526,524</u>

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

*Exhibit F-1*  
*(continued)*

**Note 18 - Annexation of La Marque Independent School District into Texas City Independent School District - (continued)**

<b>Debt Service Fund</b>	<b>Texas City ISD Pre-Annexation</b>	<b>La Marque ISD Pre-Annexation</b>	<b>Texas City ISD Post-Annexation</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,134,013	\$ 2,301,706	\$ 3,435,719
<b>Receivables:</b>			
Delinquent property taxes receivables	369,368	641,624	1,010,992
Allowance for uncollectible taxes (credit)	(172,135)	(274,343)	(446,478)
Receivables from other governments	(8,536)	8,536	
<b>Total Assets</b>	<u>\$ 1,322,710</u>	<u>\$ 2,677,523</u>	<u>\$ 4,000,233</u>
<b>Liabilities, Deferred Inflows, and Fund Balance</b>			
<b>Liabilities:</b>			
Payable to other governments	\$	\$	\$
<b>Total Liabilities</b>	<u></u>	<u></u>	<u></u>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenues	224,575	339,805	564,380
<b>Total Deferred Inflows of Resources</b>	<u>224,575</u>	<u>339,805</u>	<u>564,380</u>
<b>Fund Balances:</b>			
<b>Restricted:</b>			
Debt service	1,098,135	2,337,718	3,435,853
<b>Total fund balances</b>	<u>1,098,135</u>	<u>2,337,718</u>	<u>3,435,853</u>
<b>Total Liabilities, Deferred Inflows, and Fund Balances</b>	<u>\$ 1,322,710</u>	<u>\$ 2,677,523</u>	<u>\$ 4,000,233</u>
<b>Debt Service Fund</b>			
	<b>Texas City ISD Pre-Annexation</b>	<b>La Marque ISD Pre-Annexation</b>	<b>Texas City ISD Post-Annexation</b>
<b>Revenues</b>			
Local, intermediate, and out-of-state	\$ 9,209,459	\$ 2,717,212	\$ 11,926,671
State program revenues	125,407	102,683	228,090
<b>Total revenues</b>	<u>9,334,866</u>	<u>2,819,895</u>	<u>12,154,761</u>
<b>Expenditures</b>			
<b>Debt service:</b>			
Principal on long-term debt	5,225,000	1,322,633	6,547,633
Interest on long-term debt	4,723,434	776,445	5,499,879
Bond issuance costs and fees	3,650	31,369	35,019
<b>Total Expenditures</b>	<u>9,952,084</u>	<u>2,130,447</u>	<u>12,082,531</u>
Net change in fund balances	(617,218)	689,448	72,230
<b>Fund Balance - beginning - see Note 18</b>	<u>1,715,353</u>	<u>1,648,270</u>	<u>3,363,623</u>
<b>Fund Balance - ending</b>	<u>\$ 1,098,135</u>	<u>\$ 2,337,718</u>	<u>\$ 3,435,853</u>

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

*Exhibit F-1*  
*(continued)*

**Note 18 - Annexation of La Marque Independent School District into Texas City Independent School District - (continued)**

**Capital Projects Fund**

	<u>Texas City ISD Pre-Annexation</u>	<u>La Marque ISD Pre-Annexation</u>	<u>Texas City ISD Post-Annexation</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 3,697,206	\$	\$ 3,697,206
<b>Total Assets</b>	<u>\$ 3,697,206</u>	<u>\$</u>	<u>\$ 3,697,206</u>
<b>Liabilities and Fund Balance</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 2,461,839	\$	\$ 2,461,839
<b>Total Liabilities</b>	<u>2,461,839</u>	<u>\$</u>	<u>2,461,839</u>
<b>Fund Balances:</b>			
<b>Restricted:</b>			
Capital acquisitions	1,235,367		1,235,367
<b>Total fund balances</b>	<u>1,235,367</u>	<u>\$</u>	<u>1,235,367</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 3,697,206</u>	<u>\$</u>	<u>\$ 3,697,206</u>

**Capital Projects Fund**

	<u>Texas City ISD Pre-Annexation</u>	<u>La Marque ISD Pre-Annexation</u>	<u>Texas City ISD Post-Annexation</u>
<b>Revenues</b>			
Local, intermediate, and out-of-state	\$ 114,313	\$	\$ 114,313
<b>Total revenues</b>	<u>114,313</u>	<u>\$</u>	<u>114,313</u>
<b>Expenditures</b>			
<b>Current:</b>			
Student transportation	2,314,248		2,314,248
Facilities maintenance and operations	564,698		564,698
Bond issuance costs and fees	50,000		50,000
<b>Capital outlay:</b>			
Facilities acquisition and construction		49,200	49,200
<b>Total Expenditures</b>	<u>2,928,946</u>	<u>49,200</u>	<u>2,978,146</u>
Excess (deficiency) of revenues over expenditures	<u>(2,814,633)</u>	<u>(49,200)</u>	<u>(2,863,833)</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds from loan	4,050,000		4,050,000
<b>Total other financing sources and uses</b>	<u>4,050,000</u>	<u>\$</u>	<u>4,050,000</u>
Net change in fund balances	1,235,367	(49,200)	1,186,167
<b>Fund Balance - beginning - see Note 18</b>		49,200	49,200
<b>Fund Balance - ending</b>	<u>\$ 1,235,367</u>	<u>\$</u>	<u>\$ 1,235,367</u>

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

*Exhibit F-1*  
*(continued)*

**Note 18 - Annexation of La Marque Independent School District into Texas City Independent School District - (continued)**

Nonmajor Governmental Funds includes special revenue funds detailed in the following pages.

**Nonmajor Governmental Funds**

	<u>Texas City ISD Pre-Annexation</u>	<u>La Marque ISD Pre-Annexation</u>	<u>Texas City ISD Post-Annexation</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,294,307	\$ 508,864	\$ 1,803,171
<b>Receivables:</b>			
Receivables from other governments	413,605	834,719	1,248,324
Due from other funds	141		141
Other receivables	(376,493)	406,574	30,081
Inventories, at cost	17,406	6,325	23,731
<b>Total Assets</b>	<u>\$ 1,348,966</u>	<u>\$ 1,756,482</u>	<u>\$ 3,105,448</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
<b>Current Liabilities:</b>			
Accounts payable	\$ 155,393	\$ 110,037	\$ 265,430
Accrued wages payable	57,842		57,842
Due to other funds	385,068	643,663	1,028,731
Due to other governments	(58,248)	58,248	
Unearned revenues	14,468	25,923	40,391
<b>Total Liabilities</b>	<u>554,523</u>	<u>837,871</u>	<u>1,392,394</u>
<b>Fund Balances:</b>			
<b>Nonspendable:</b>			
Inventories	17,406	6,325	23,731
<b>Restricted:</b>			
Federal/State grant restrictions	16,587	665,821	682,408
Capital acquisitions		206,929	206,929
<b>Committed:</b>			
Other purposes	760,450	39,536	799,986
<b>Total fund balances</b>	<u>794,443</u>	<u>918,611</u>	<u>1,713,054</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 1,348,966</u>	<u>\$ 1,756,482</u>	<u>\$ 3,105,448</u>

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

*Exhibit F-1*  
*(continued)*

**Note 18 - Annexation of La Marque Independent School District into Texas City Independent School District - (continued)**

**Nonmajor Governmental Funds**

	<u>Texas City ISD Pre-Annexation</u>	<u>La Marque ISD Pre-Annexation</u>	<u>Texas City ISD Post-Annexation</u>
<b>Revenues</b>			
Local, intermediate, and out-of-state	\$ 2,147,559	\$ 605,010	\$ 2,752,569
State program revenues	124,270	300,007	424,277
Federal program revenues	6,650,106	5,083,998	11,734,104
<b>Total revenues</b>	<u>8,921,935</u>	<u>5,989,015</u>	<u>14,910,950</u>
<b>Expenditures</b>			
<b>Current:</b>			
Instruction	3,461,419	2,970,478	6,431,897
Instruction resources and media services	27,723		27,723
Curriculum and instructional staff development	126,614	177,655	304,269
Instructional leadership	31,362	272,070	303,432
School leadership	200,706	315,626	516,332
Guidance, counseling and evaluation services	177,505	62,442	239,947
Social work services	67,812	7,005	74,817
Health services	28,607		28,607
Student transportation	59,147	77,867	137,014
Food service	4,055,938	1,880,250	5,936,188
Extracurricular activities	183,216	88,259	271,475
General administration	11,374	16,183	27,557
Facilities maintenance and operations		21,043	21,043
Security and monitoring services		11,245	11,245
Data processing services		17,381	17,381
Community services	193,527	57,850	251,377
<b>Total Expenditures</b>	<u>8,624,950</u>	<u>5,975,354</u>	<u>14,600,304</u>
Net change in fund balances	296,985	13,661	310,646
<b>Fund balance - beginning - see Note 18</b>	<u>497,458</u>	<u>904,950</u>	<u>1,402,408</u>
<b>Fund balance - ending</b>	<u>\$ 794,443</u>	<u>\$ 918,611</u>	<u>\$ 1,713,054</u>

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

*Exhibit F-1*  
*(continued)*

**Note 18 - Annexation of La Marque Independent School District into Texas City Independent School District - (continued)**

**Fund 205**  
**Head Start**

	<u>Texas City ISD</u> <u>Pre-Annexation</u>	<u>La Marque ISD</u> <u>Pre-Annexation</u>	<u>Texas City ISD</u> <u>Post-Annexation</u>
<b>Assets</b>			
<b>Receivables:</b>			
Receivables from other governments	\$ 195,499	\$	\$ 195,499
<b>Total Assets</b>	<u>\$ 195,499</u>	<u>\$</u>	<u>\$ 195,499</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
<b>Current Liabilities:</b>			
Accounts payable	\$ 3,934	\$	\$ 3,934
Due to other funds	191,565		191,565
<b>Total Liabilities</b>	<u>195,499</u>	<u></u>	<u>195,499</u>
<b>Fund Balances:</b>			
<b>Restricted:</b>			
Federal/State grant restrictions	<u></u>	<u></u>	<u></u>
<b>Total fund balances</b>	<u></u>	<u></u>	<u></u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 195,499</u>	<u>\$</u>	<u>\$ 195,499</u>

**Fund 205**  
**Head Start**

	<u>Texas City ISD</u> <u>Pre-Annexation</u>	<u>La Marque ISD</u> <u>Pre-Annexation</u>	<u>Texas City ISD</u> <u>Post-Annexation</u>
<b>Revenues</b>			
Federal program revenues	\$ 1,124,259	\$	\$ 1,124,259
<b>Total revenues</b>	<u>1,124,259</u>	<u></u>	<u>1,124,259</u>
<b>Expenditures</b>			
<b>Current:</b>			
Instruction	785,336		785,336
Curriculum and instructional staff development	16,856		16,856
School leadership	112,520		112,520
Health services	28,607		28,607
Student transportation	56,289		56,289
Community services	124,651		124,651
<b>Total Expenditures</b>	<u>1,124,259</u>	<u></u>	<u>1,124,259</u>
Net change in fund balances			
<b>Fund balance - beginning - see Note 18</b>	<u></u>	<u></u>	<u></u>
<b>Fund balance - ending</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

*Exhibit F-1*  
*(continued)*

**Note 18 - Annexation of La Marque Independent School District into Texas City Independent School District - (continued)**

**Fund 206**  
**ESEA, Title X, Part C - Education for the Homeless Children and Youth**

	<b>Texas City ISD Pre-Annexation</b>	<b>La Marque ISD Pre-Annexation</b>	<b>Texas City ISD Post- Annexation</b>
<b>Revenues</b>			
Federal program revenues	\$	\$ 11,346	\$ 11,346
<b>Total revenues</b>		<b>11,346</b>	<b>11,346</b>
<b>Expenditures</b>			
<b>Current:</b>			
Instruction		11,117	11,117
Instructional leadership		229	229
<b>Total Expenditures</b>		<b>11,346</b>	<b>11,346</b>
Net change in fund balances			
<b>Fund balance - beginning - see Note 18</b>			
<b>Fund balance - ending</b>			
	\$	\$	\$

**Fund 206**  
**ESEA, Title X, Part C - Education for the Homeless Children and Youth**

	<b>Texas City ISD Pre-Annexation</b>	<b>La Marque ISD Pre-Annexation</b>	<b>Texas City ISD Post-Annexation</b>
<b>Revenues</b>			
Federal program revenues	\$	\$ 11,346	\$ 11,346
<b>Total revenues</b>		<b>11,346</b>	<b>11,346</b>
<b>Expenditures</b>			
<b>Current:</b>			
Instruction		11,117	11,117
Instructional leadership		229	229
<b>Total Expenditures</b>		<b>11,346</b>	<b>11,346</b>
Net change in fund balances			
<b>Fund balance - beginning - see Note 18</b>			
<b>Fund balance - ending</b>			
	\$	\$	\$

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

*Exhibit F-1*  
*(continued)*

**Note 18 - Annexation of La Marque Independent School District into Texas City Independent School District - (continued)**

**Fund 211**  
**ESEA Title I, A - Improving Basic Program**

	<u>Texas City ISD Pre-Annexation</u>	<u>La Marque ISD Pre-Annexation</u>	<u>Texas City ISD Post-Annexation</u>
<b>Assets</b>			
<b>Receivables:</b>			
Receivables from other governments	\$ 226,384	\$ 85,094	\$ 311,478
<b>Total Assets</b>	<u>\$ 226,384</u>	<u>\$ 85,094</u>	<u>\$ 311,478</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
<b>Current Liabilities:</b>			
Accounts payable	\$ 37,000	\$ 2,316	\$ 39,316
Due to other funds	189,384	82,778	272,162
<b>Total Liabilities</b>	<u>226,384</u>	<u>85,094</u>	<u>311,478</u>
<b>Fund Balances:</b>			
<b>Restricted:</b>			
Federal/State grant restrictions	_____	_____	_____
<b>Total fund balances</b>	_____	_____	_____
<b>Total Liabilities and Fund Balances</b>	<u>\$ 226,384</u>	<u>\$ 85,094</u>	<u>\$ 311,478</u>

**Fund 211**  
**ESEA Title I, A - Improving Basic Program**

	<u>Texas City ISD Pre-Annexation</u>	<u>La Marque ISD Pre-Annexation</u>	<u>Texas City ISD Post-Annexation</u>
<b>Revenues</b>			
Federal program revenues	\$ 921,174	\$ 747,428	\$ 1,668,602
<b>Total revenues</b>	<u>921,174</u>	<u>747,428</u>	<u>1,668,602</u>
<b>Expenditures</b>			
<b>Current:</b>			
Instruction	814,074	643,643	1,457,717
Curriculum and instructional staff development	39,288	5,851	45,139
Instructional leadership	_____	32,202	32,202
School leadership	_____	7,882	7,882
Social work services	67,812	_____	67,812
Community services	_____	57,850	57,850
<b>Total Expenditures</b>	<u>921,174</u>	<u>747,428</u>	<u>1,668,602</u>
Net change in fund balances			
<b>Fund balance - beginning - see Note 18</b>	_____	_____	_____
<b>Fund balance - ending</b>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>



**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

*Exhibit F-1*  
*(continued)*

**Note 18 - Annexation of La Marque Independent School District into Texas City Independent School District - (continued)**

**Fund 224**  
**IDEA B - Formula**

	<u>Texas City ISD Pre-Annexation</u>	<u>La Marque ISD Pre-Annexation</u>	<u>Texas City ISD Post-Annexation</u>
<b>Assets</b>			
<b>Receivables:</b>			
Receivables from other governments	\$ 196,572	\$ 80,396	\$ 276,968
<b>Total Assets</b>	<u>\$ 196,572</u>	<u>\$ 80,396</u>	<u>\$ 276,968</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
<b>Current Liabilities:</b>			
Accounts payable	\$ 2,695	\$ 767	\$ 3,462
Due to other funds	196,213	77,293	273,506
Due to other governments	(2,336)	2,336	
<b>Total Liabilities</b>	<u>196,572</u>	<u>80,396</u>	<u>276,968</u>
<b>Fund Balances:</b>			
<b>Restricted:</b>			
Federal/State grant restrictions			
<b>Total fund balances</b>			
<b>Total Liabilities and Fund Balances</b>	<u>\$ 196,572</u>	<u>\$ 80,396</u>	<u>\$ 276,968</u>

**Fund 224**  
**IDEA B - Formula**

	<u>Texas City ISD Pre-Annexation</u>	<u>La Marque ISD Pre-Annexation</u>	<u>Texas City ISD Post- Annexation</u>
<b>Revenues</b>			
Federal program revenues	\$ 967,251	\$ 622,691	\$ 1,589,942
<b>Total revenues</b>	<u>967,251</u>	<u>622,691</u>	<u>1,589,942</u>
<b>Expenditures</b>			
<b>Current:</b>			
Instruction	798,941	528,477	1,327,418
Curriculum and instructional staff development	19,259	2,256	21,515
Instructional leadership		5,130	5,130
Guidance, counseling and evaluation services	149,051	62,442	211,493
Social work services		7,005	7,005
Data processing services		17,381	17,381
<b>Total Expenditures</b>	<u>967,251</u>	<u>622,691</u>	<u>1,589,942</u>
Net change in fund balances			
<b>Fund balance - beginning - see Note 18</b>			
<b>Fund balance - ending</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

*Exhibit F-1*  
*(continued)*

**Note 18 - Annexation of La Marque Independent School District into Texas City Independent School District - (continued)**

**Fund 225**  
**IDEA B - Preschool**

	<u>Texas City ISD Pre-Annexation</u>	<u>La Marque ISD Pre-Annexation</u>	<u>Texas City ISD Post-Annexation</u>
<b>Assets</b>			
<b>Receivables:</b>			
Receivables from other governments	\$ 31,175	\$ 3,771	\$ 34,946
<b>Total Assets</b>	<u>\$ 31,175</u>	<u>\$ 3,771</u>	<u>\$ 34,946</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
<b>Current Liabilities:</b>			
Accounts payable	\$ 5,488	\$	\$ 5,488
Due to other funds	25,687	3,771	29,458
<b>Total Liabilities</b>	<u>31,175</u>	<u>3,771</u>	<u>34,946</u>
<b>Fund Balances:</b>			
<b>Restricted:</b>			
Federal/State grant restrictions	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total fund balances</b>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 31,175</u>	<u>\$ 3,771</u>	<u>\$ 34,946</u>

**Fund 225**  
**IDEA B - Preschool**

	<u>Texas City ISD Pre-Annexation</u>	<u>La Marque ISD Pre-Annexation</u>	<u>Texas City ISD Post- Annexation</u>
<b>Revenues</b>			
Federal program revenues	\$ 52,310	\$ 15,210	\$ 67,520
<b>Total revenues</b>	<u>52,310</u>	<u>15,210</u>	<u>67,520</u>
<b>Expenditures</b>			
<b>Current:</b>			
Instruction	52,310	15,210	67,520
<b>Total Expenditures</b>	<u>52,310</u>	<u>15,210</u>	<u>67,520</u>
Net change in fund balances			
<b>Fund balance - beginning - see Note 18</b>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Fund balance - ending</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

*Exhibit F-1*  
*(continued)*

**Note 18 - Annexation of La Marque Independent School District into Texas City Independent School District - (continued)**

**Fund 226**  
**IDEA B Discretionary**

	<u>Texas City ISD</u> <u>Pre-Annexation</u>	<u>La Marque ISD</u> <u>Pre-Annexation</u>	<u>Texas City ISD</u> <u>Post-</u> <u>Annexation</u>
<b>Assets</b>			
<b>Receivables:</b>			
Receivables from other governments	\$ 977	\$ 44,475	\$ 45,452
<b>Total Assets</b>	<u>\$ 977</u>	<u>\$ 44,475</u>	<u>\$ 45,452</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
<b>Current Liabilities:</b>			
Due to other funds	\$ 977	\$ 44,475	\$ 45,452
<b>Total Liabilities</b>	<u>977</u>	<u>44,475</u>	<u>45,452</u>
<b>Fund Balances:</b>			
<b>Restricted:</b>			
Federal/State grant restrictions			
<b>Total fund balances</b>			
<b>Total Liabilities and Fund Balances</b>	<u>\$ 977</u>	<u>\$ 44,475</u>	<u>\$ 45,452</u>

**Fund 226**  
**IDEA B Discretionary**

	<u>Texas City ISD</u> <u>Pre-Annexation</u>	<u>La Marque ISD</u> <u>Pre-Annexation</u>	<u>Texas City ISD</u> <u>Post-</u> <u>Annexation</u>
<b>Revenues</b>			
Federal program revenues	\$ 977	\$ 44,475	\$ 45,452
<b>Total revenues</b>	<u>977</u>	<u>44,475</u>	<u>45,452</u>
<b>Expenditures</b>			
<b>Current:</b>			
Instruction	977	44,475	45,452
<b>Total Expenditures</b>	<u>977</u>	<u>44,475</u>	<u>45,452</u>
Net change in fund balances			
<b>Fund balance - beginning - see Note 18</b>			
<b>Fund balance - ending</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

*Exhibit F-1*  
*(continued)*

**Note 18 - Annexation of La Marque Independent School District into Texas City Independent School District - (continued)**

**Fund 240**  
**Child Nutrition Fund**

	<b>Texas City ISD Pre-Annexation</b>	<b>La Marque ISD Pre-Annexation</b>	<b>Texas City ISD Post- Annexation</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 488,449	\$ 239,664	\$ 728,113
<b>Receivables:</b>			
Receivables from other governments	132,101	35,641	167,742
Due from other funds	141		141
Other receivables	(361,760)	390,681	28,921
Inventories, at cost	17,406	6,325	23,731
<b>Total Assets</b>	<b>\$ 276,337</b>	<b>\$ 672,311</b>	<b>\$ 948,648</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
<b>Current Liabilities:</b>			
Accounts payable	\$ 180,122	\$ 1,710	\$ 181,832
Accrued wages payable	57,842		57,842
Due to other funds	4,380		4,380
<b>Total Liabilities</b>	<b>242,344</b>	<b>1,710</b>	<b>244,054</b>
<b>Fund Balances:</b>			
<b>Nonspendable:</b>			
Inventories	17,406	6,325	23,731
<b>Restricted:</b>			
Federal/State grant restrictions	16,587	664,276	680,863
<b>Total fund balances</b>	<b>33,993</b>	<b>670,601</b>	<b>704,594</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 276,337</b>	<b>\$ 672,311</b>	<b>\$ 948,648</b>

**Fund 240**  
**Child Nutrition Fund**

	<b>Texas City ISD Pre-Annexation</b>	<b>La Marque ISD Pre-Annexation</b>	<b>Texas City ISD Post- Annexation</b>
<b>Revenues</b>			
Local, intermediate, and out-of-state	\$ 843,407	\$ 560,358	\$ 1,403,765
State program revenues	21,625	97,363	118,988
Federal program revenues	3,185,603	1,352,119	4,537,722
<b>Total revenues</b>	<b>4,050,635</b>	<b>2,009,840</b>	<b>6,060,475</b>
<b>Expenditures</b>			
<b>Current:</b>			
Food service	4,055,938	1,880,250	5,936,188
<b>Total Expenditures</b>	<b>4,055,938</b>	<b>1,880,250</b>	<b>5,936,188</b>
Net change in fund balances	(5,303)	129,590	124,287
<b>Fund balance - beginning - see Note 1</b>	<b>39,296</b>	<b>541,011</b>	<b>580,307</b>
<b>Fund balance - ending</b>	<b>\$ 33,993</b>	<b>\$ 670,601</b>	<b>\$ 704,594</b>

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

*Exhibit F-1*  
*(continued)*

**Note 18 - Annexation of La Marque Independent School District into Texas City Independent School District - (continued)**

**Fund 244**  
**Vocational Ed. - Basic**

	<u>Texas City ISD</u> <u>Pre-Annexation</u>	<u>La Marque ISD</u> <u>Pre-Annexation</u>	<u>Texas City ISD</u> <u>Post-</u> <u>Annexation</u>
<b>Assets</b>			
<b>Receivables:</b>			
Receivables from other governments	\$ _____	\$ _____	\$ _____
<b>Total Assets</b>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
<b>Current Liabilities:</b>			
Due to other funds	\$ _____	\$ _____	\$ _____
<b>Total Liabilities</b>	<u>_____</u>	<u>_____</u>	<u>_____</u>
<b>Fund Balances:</b>			
<b>Restricted:</b>			
Federal/State grant restrictions	_____	_____	_____
<b>Total fund balances</b>	<u>_____</u>	<u>_____</u>	<u>_____</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>

**Fund 244**  
**Vocational Ed. - Basic**

	<u>Texas City ISD</u> <u>Pre-Annexation</u>	<u>La Marque ISD</u> <u>Pre-Annexation</u>	<u>Texas City ISD</u> <u>Post-</u> <u>Annexation</u>
<b>Revenues</b>			
Federal program revenues	\$ 60,735	\$ _____	\$ 60,735
<b>Total revenues</b>	<u>60,735</u>	<u>_____</u>	<u>60,735</u>
<b>Expenditures</b>			
<b>Current:</b>			
Instruction	31,723	_____	31,723
Curriculum and instructional staff development	1,501	_____	1,501
Guidance, counseling and evaluation services	27,511	_____	27,511
<b>Total Expenditures</b>	<u>60,735</u>	<u>_____</u>	<u>60,735</u>
Net change in fund balances			
<b>Fund balance - beginning - see Note 18</b>	_____	_____	_____
<b>Fund balance - ending</b>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

*Exhibit F-1*  
*(continued)*

**Note 18 - Annexation of La Marque Independent School District into Texas City Independent School District - (continued)**

**Fund 255**  
**ESEA Title II, A - Training and Recruiting**

	<u>Texas City ISD</u> <u>Pre-Annexation</u>	<u>La Marque ISD</u> <u>Pre-Annexation</u>	<u>Texas City ISD</u> <u>Post-</u> <u>Annexation</u>
<b>Assets</b>			
<b>Receivables:</b>			
Receivables from other governments	\$ 44,606	\$ 8,863	\$ 53,469
<b>Total Assets</b>	<u>\$ 44,606</u>	<u>\$ 8,863</u>	<u>\$ 53,469</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
<b>Current Liabilities:</b>			
Due to other funds	\$ 44,606	\$ 8,863	\$ 53,469
<b>Total Liabilities</b>	<u>44,606</u>	<u>8,863</u>	<u>53,469</u>
<b>Fund Balances:</b>			
<b>Restricted:</b>			
Federal/State grant restrictions	_____	_____	_____
<b>Total fund balances</b>	_____	_____	_____
<b>Total Liabilities and Fund Balances</b>	<u>\$ 44,606</u>	<u>\$ 8,863</u>	<u>\$ 53,469</u>

**Fund 255**  
**ESEA Title II, A - Training and Recruiting**

	<u>Texas City ISD</u> <u>Pre-Annexation</u>	<u>La Marque ISD</u> <u>Pre-Annexation</u>	<u>Texas City ISD</u> <u>Post-</u> <u>Annexation</u>
<b>Revenues</b>			
Federal program revenues	\$ 196,910	\$ 98,219	\$ 295,129
<b>Total revenues</b>	<u>196,910</u>	<u>98,219</u>	<u>295,129</u>
<b>Expenditures</b>			
<b>Current:</b>			
Instruction	151,274	22,646	173,920
Curriculum and instructional staff development	45,636	75,573	121,209
<b>Total Expenditures</b>	<u>196,910</u>	<u>98,219</u>	<u>295,129</u>
Net change in fund balances			
<b>Fund balance - beginning - see Note 18</b>	_____	_____	_____
<b>Fund balance - ending</b>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

*Exhibit F-1*  
*(continued)*

**Note 18 - Annexation of La Marque Independent School District into Texas City Independent School District - (continued)**

**Fund 263**  
**ESEA Title III, A - English Lang. Acquisition**

	<u>Texas City ISD Pre-Annexation</u>	<u>La Marque ISD Pre-Annexation</u>	<u>Texas City ISD Post- Annexation</u>
<b>Assets</b>			
<b>Receivables:</b>			
Receivables from other governments	\$ 9,746	\$	\$ 9,746
<b>Total Assets</b>	<u>\$ 9,746</u>	<u>\$</u>	<u>\$ 9,746</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
<b>Current Liabilities:</b>			
Accounts payable	\$ 4,031	\$	\$ 4,031
Due to other funds	5,715		5,715
<b>Total Liabilities</b>	<u>9,746</u>	<u></u>	<u>9,746</u>
<b>Fund Balances:</b>			
<b>Restricted:</b>			
Federal/State grant restrictions	<u></u>	<u></u>	<u></u>
<b>Total fund balances</b>	<u></u>	<u></u>	<u></u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 9,746</u>	<u>\$</u>	<u>\$ 9,746</u>

**Fund 263**  
**ESEA Title III, A - English Lang. Acquisition**

	<u>Texas City ISD Pre-Annexation</u>	<u>La Marque ISD Pre-Annexation</u>	<u>Texas City ISD Post- Annexation</u>
<b>Revenues</b>			
Federal program revenues	\$ 32,638	\$	\$ 32,638
<b>Total revenues</b>	<u>32,638</u>	<u></u>	<u>32,638</u>
<b>Expenditures</b>			
<b>Current:</b>			
Instruction	28,564		28,564
Curriculum and instructional staff development	4,074		4,074
<b>Total Expenditures</b>	<u>32,638</u>	<u></u>	<u>32,638</u>
Net change in fund balances	<u></u>	<u></u>	<u></u>
<b>Fund balance - beginning - see Note 18</b>	<u></u>	<u></u>	<u></u>
<b>Fund balance - ending</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

*Exhibit F-1*  
*(continued)*

**Note 18 - Annexation of La Marque Independent School District into Texas City Independent School District - (continued)**

**Fund 265**

**Title IV, Part B - 21st Century Community Learning Centers**

	<u>Texas City ISD Pre-Annexation</u>	<u>La Marque ISD Pre-Annexation</u>	<u>Texas City ISD Post- Annexation</u>
<b>Assets</b>			
<b>Receivables:</b>			
Receivables from other governments	\$ (284,821)	\$ 389,731	\$ 104,910
Other receivables	(4,789)	4,789	
<b>Total Assets</b>	<u>\$ (289,610)</u>	<u>\$ 394,520</u>	<u>\$ 104,910</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
<b>Current Liabilities:</b>			
Accounts payable	\$ (97,488)	\$ 97,488	\$
Due to other funds	(188,244)	293,154	104,910
Due to other governments	(3,878)	3,878	
<b>Total Liabilities</b>	<u>(289,610)</u>	<u>394,520</u>	<u>104,910</u>
<b>Fund Balances:</b>			
<b>Restricted:</b>			
Federal/State grant restrictions			
<b>Total fund balances</b>			
<b>Total Liabilities and Fund Balances</b>	<u>\$ (289,610)</u>	<u>\$ 394,520</u>	<u>\$ 104,910</u>

**Fund 265**

**Title IV, Part B - 21st Century Community Learning Centers**

	<u>Texas City ISD Pre-Annexation</u>	<u>La Marque ISD Pre-Annexation</u>	<u>Texas City ISD Post- Annexation</u>
<b>Revenues</b>			
Federal program revenues	\$ 104,910	\$ 1,591,492	\$ 1,696,402
<b>Total revenues</b>	<u>104,910</u>	<u>1,591,492</u>	<u>1,696,402</u>
<b>Expenditures</b>			
<b>Current:</b>			
Instruction	7,980	928,623	936,603
Curriculum and instructional staff development		8,942	8,942
Instructional leadership	31,362	193,605	224,967
School leadership	62,710	307,744	370,454
Student transportation	2,858	77,867	80,725
Extracurricular activities		42,423	42,423
Plant maintenance and operations		21,043	21,043
Security and monitoring services		11,245	11,245
<b>Total Expenditures</b>	<u>104,910</u>	<u>1,591,492</u>	<u>1,696,402</u>
Net change in fund balances			
<b>Fund balance - beginning - see Note 18</b>			
<b>Fund balance - ending</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>



**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

*Exhibit F-1*  
*(continued)*

**Note 18 - Annexation of La Marque Independent School District into Texas City Independent School District - (continued)**

**Fund 289**  
**Federally Funded Special Revenue Funds**

	<u>Texas City ISD Pre-Annexation</u>	<u>La Marque ISD Pre-Annexation</u>	<u>Texas City ISD Post- Annexation</u>
<b>Assets</b>			
Cash and cash equivalents	\$	\$ 206,929	\$ 206,929
<b>Receivables:</b>			
Receivables from other governments	(178,362)	178,362	
Other receivables	(5,515)	5,515	
<b>Total Assets</b>	<u>\$ (183,877)</u>	<u>\$ 390,806</u>	<u>\$ 206,929</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
<b>Current Liabilities:</b>			
Accounts payable	\$ (6,164)	\$ 6,164	\$
Due to other funds	(125,679)	125,679	
Due to other governments	(52,034)	52,034	
<b>Total Liabilities</b>	<u>(183,877)</u>	<u>183,877</u>	
<b>Fund Balances:</b>			
<b>Restricted:</b>			
Federal/State grant restrictions			
Capital acquisitions		206,929	206,929
<b>Total fund balances</b>		<u>206,929</u>	<u>206,929</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ (183,877)</u>	<u>\$ 390,806</u>	<u>\$ 206,929</u>

**Fund 289**  
**Federally Funded Special Revenue Funds**

	<u>Texas City ISD Pre-Annexation</u>	<u>La Marque ISD Pre-Annexation</u>	<u>Texas City ISD Post- Annexation</u>
<b>Revenues</b>			
Federal program revenues	\$ 3,339	\$ 601,018	\$ 604,357
<b>Total revenues</b>	<u>3,339</u>	<u>601,018</u>	<u>604,357</u>
<b>Expenditures</b>			
<b>Current:</b>			
Instruction	13,344	475,620	488,964
Curriculum and instructional staff development		84,494	84,494
Instructional leadership		40,904	40,904
<b>Total Expenditures</b>	<u>13,344</u>	<u>601,018</u>	<u>614,362</u>
Net change in fund balances	(10,005)		(10,005)
<b>Fund balance - beginning - see Note 1</b>	<u>10,005</u>	<u>206,929</u>	<u>216,934</u>
<b>Fund balance - ending</b>	<u>\$</u>	<u>\$ 206,929</u>	<u>\$ 206,929</u>

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

*Exhibit F-1*  
*(continued)*

**Note 18 - Annexation of La Marque Independent School District into Texas City Independent School District - (continued)**

**Fund 404**  
**Student Success Initiative**

	<b>Texas City ISD Pre-Annexation</b>	<b>La Marque ISD Pre-Annexation</b>	<b>Texas City ISD Post- Annexation</b>
<b>Assets</b>			
Cash and cash equivalents	\$	\$ 24,673	\$ 24,673
<b>Total Assets</b>	<b>\$</b>	<b>\$ 24,673</b>	<b>\$ 24,673</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Unearned revenues	\$	\$ 24,673	\$ 24,673
<b>Total Liabilities</b>		<b>24,673</b>	<b>24,673</b>
<b>Fund Balances:</b>			
<b>Restricted:</b>			
Federal/State grant restrictions			
<b>Total fund balances</b>			
<b>Total Liabilities and Fund Balances</b>	<b>\$</b>	<b>\$ 24,673</b>	<b>\$ 24,673</b>

**Fund 404**  
**Student Success Initiative**

	<b>Texas City ISD Pre-Annexation</b>	<b>La Marque ISD Pre-Annexation</b>	<b>Texas City ISD Post- Annexation</b>
<b>Revenues</b>			
State program revenues	\$	\$	\$
<b>Total revenues</b>			
<b>Expenditures</b>			
<b>Current:</b>			
Instruction			
<b>Total Expenditures</b>			
Net change in fund balances			
<b>Fund balance - beginning - see Note 18</b>			
<b>Fund balance - ending</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

*Exhibit F-1*  
*(continued)*

**Note 18 - Annexation of La Marque Independent School District into Texas City Independent School District - (continued)**

**Fund 409**  
**Mathematics Instructional Coach**

	<u>Texas City ISD Pre-Annexation</u>	<u>La Marque ISD Pre-Annexation</u>	<u>Texas City ISD Post- Annexation</u>
<b>Assets</b>			
Cash and cash equivalents	\$	\$ 1,250	\$ 1,250
<b>Total Assets</b>	<u>\$</u>	<u>\$ 1,250</u>	<u>\$ 1,250</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Unearned revenues	\$	\$ 1,250	\$ 1,250
<b>Total Liabilities</b>	<u>\$</u>	<u>1,250</u>	<u>1,250</u>
<b>Fund Balances:</b>			
<b>Restricted:</b>			
Federal/State grant restrictions	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Total fund balances</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$</u>	<u>\$ 1,250</u>	<u>\$ 1,250</u>

**Fund 409**  
**Mathematics Instructional Coach**

	<u>Texas City ISD Pre-Annexation</u>	<u>La Marque ISD Pre-Annexation</u>	<u>Texas City ISD Post- Annexation</u>
<b>Revenues</b>			
Local, intermediate, and out-of-state	\$	\$	\$
State program revenues			
Federal program revenues			
<b>Total revenues</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Expenditures</b>			
<b>Current:</b>			
Instruction			
Instruction resources and media services			
Curriculum and instructional staff development			
<b>Total Expenditures</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Net change in fund balances			
<b>Fund balance - beginning - see Note 18</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Fund balance - ending</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

*Exhibit F-1*  
*(continued)*

**Note 18 - Annexation of La Marque Independent School District into Texas City Independent School District - (continued)**

**Fund 410**  
**Instructional Materials Allotment**

	<b>Texas City ISD Pre-Annexation</b>	<b>La Marque ISD Pre-Annexation</b>	<b>Texas City ISD Post- Annexation</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 14,468	\$	\$ 14,468
<b>Total Assets</b>	<u>\$ 14,468</u>	<u>\$</u>	<u>\$ 14,468</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Unearned revenues	\$ 14,468	\$	\$ 14,468
<b>Total Liabilities</b>	<u>14,468</u>	<u></u>	<u>14,468</u>
<b>Fund Balances:</b>			
<b>Restricted:</b>			
Federal/State grant restrictions	<u></u>	<u></u>	<u></u>
<b>Total fund balances</b>	<u></u>	<u></u>	<u></u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 14,468</u>	<u>\$</u>	<u>\$ 14,468</u>

**Fund 410**  
**Instructional Materials Allotment**

	<b>Texas City ISD Pre-Annexation</b>	<b>La Marque ISD Pre-Annexation</b>	<b>Texas City ISD Post- Annexation</b>
<b>Revenues</b>			
State program revenues	\$ 54,531	\$ 202,105	\$ 256,636
<b>Total revenues</b>	<u>54,531</u>	<u>202,105</u>	<u>256,636</u>
<b>Expenditures</b>			
<b>Current:</b>			
Instruction	54,531	202,105	256,636
<b>Total Expenditures</b>	<u>54,531</u>	<u>202,105</u>	<u>256,636</u>
Net change in fund balances			
<b>Fund balance - beginning - see Note 18</b>	<u></u>	<u></u>	<u></u>
<b>Fund balance - ending</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

*Exhibit F-1*  
*(continued)*

**Note 18 - Annexation of La Marque Independent School District into Texas City Independent School District - (continued)**

**Fund 415**  
**Kindergarten and Pre-K Grants**

	<u>Texas City ISD Pre-Annexation</u>	<u>La Marque ISD Pre-Annexation</u>	<u>Texas City ISD Post- Annexation</u>
<b>Assets</b>			
<b>Receivables:</b>			
Receivables from other governments	\$ 48,114	\$	\$ 48,114
<b>Total Assets</b>	<u>\$ 48,114</u>	<u>\$</u>	<u>\$ 48,114</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
<b>Current Liabilities:</b>			
Due to other funds	\$ 48,114	\$	\$ 48,114
<b>Total Liabilities</b>	<u>48,114</u>	<u>\$</u>	<u>48,114</u>
<b>Fund Balances:</b>			
<b>Restricted:</b>			
Federal/State grant restrictions	<u></u>	<u></u>	<u></u>
<b>Total fund balances</b>	<u></u>	<u></u>	<u></u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 48,114</u>	<u>\$</u>	<u>\$ 48,114</u>

**Fund 415**  
**Kindergarten and Pre-K Grants**

	<u>Texas City ISD Pre-Annexation</u>	<u>La Marque ISD Pre-Annexation</u>	<u>Texas City ISD Post- Annexation</u>
<b>Revenues</b>			
State program revenues	\$ 48,114	\$	\$ 48,114
<b>Total revenues</b>	<u>48,114</u>	<u>\$</u>	<u>48,114</u>
<b>Expenditures</b>			
<b>Current:</b>			
Instruction	48,114	<u></u>	48,114
<b>Total Expenditures</b>	<u>48,114</u>	<u></u>	<u>48,114</u>
Net change in fund balances			
<b>Fund balance - beginning - see Note 18</b>	<u></u>	<u></u>	<u></u>
<b>Fund balance - ending</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

*Exhibit F-1*  
*(continued)*

**Note 18 - Annexation of La Marque Independent School District into Texas City Independent School District - (continued)**

**Fund 461**  
**Campus Activity Fund**

	<b>Texas City ISD Pre-Annexation</b>	<b>La Marque ISD Pre-Annexation</b>	<b>Texas City ISD Post- Annexation</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 791,390	\$ 34,803	\$ 826,193
<b>Receivables:</b>			
Other receivables	(4,429)	5,589	1,160
<b>Total Assets</b>	<u>\$ 786,961</u>	<u>\$ 40,392</u>	<u>\$ 827,353</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
<b>Current Liabilities:</b>			
Accounts payable	\$ 26,511	\$ 856	\$ 27,367
<b>Total Liabilities</b>	<u>26,511</u>	<u>856</u>	<u>27,367</u>
<b>Fund Balances:</b>			
<b>Committed:</b>			
Other purposes	760,450	39,536	799,986
<b>Total fund balances</b>	<u>760,450</u>	<u>39,536</u>	<u>799,986</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 786,961</u>	<u>\$ 40,392</u>	<u>\$ 827,353</u>

**Fund 461**  
**Campus Activity Fund**

	<b>Texas City ISD Pre-Annexation</b>	<b>La Marque ISD Pre-Annexation</b>	<b>Texas City ISD Post- Annexation</b>
<b>Revenues</b>			
Local, intermediate, and out-of-state	\$ 1,304,152	\$ 16,652	\$ 1,320,804
<b>Total revenues</b>	<u>1,304,152</u>	<u>16,652</u>	<u>1,320,804</u>
<b>Expenditures</b>			
<b>Current:</b>			
Instruction	674,251	918	675,169
Instruction resources and media services	27,723		27,723
School leadership	25,476		25,476
Guidance, counseling and evaluation services	943		943
Extracurricular activities	183,216	45,836	229,052
General administration	11,374	16,183	27,557
Community services	68,876		68,876
<b>Total Expenditures</b>	<u>991,859</u>	<u>62,937</u>	<u>1,054,796</u>
Net change in fund balances	312,293	(46,285)	266,008
<b>Fund balance - beginning - see Note 1</b>	<u>448,157</u>	<u>85,821</u>	<u>533,978</u>
<b>Fund balance - ending</b>	<u>\$ 760,450</u>	<u>\$ 39,536</u>	<u>\$ 799,986</u>

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

*Exhibit F-1*  
*(continued)*

**Note 18 - Annexation of La Marque Independent School District into Texas City Independent School District - (continued)**

**Fund 499**  
**Locally Funded Special Revenue Funds**

	<u>Texas City ISD Pre-Annexation</u>	<u>La Marque ISD Pre-Annexation</u>	<u>Texas City ISD Post- Annexation</u>
<b>Assets</b>			
Cash and cash equivalents	\$	\$ 1,545	\$ 1,545
<b>Total Assets</b>	<u>\$</u>	<u>\$ 1,545</u>	<u>\$ 1,545</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
<b>Current Liabilities:</b>			
Accounts payable	\$	\$	\$
<b>Total Liabilities</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Fund Balances:</b>			
<b>Restricted:</b>			
Federal/State grant restrictions	<u></u>	<u>1,545</u>	<u>1,545</u>
<b>Total fund balances</b>	<u></u>	<u>1,545</u>	<u>1,545</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$</u>	<u>\$ 1,545</u>	<u>\$ 1,545</u>

**Fund 499**  
**Locally Funded Special Revenue Funds**

	<u>Texas City ISD Pre-Annexation</u>	<u>La Marque ISD Pre-Annexation</u>	<u>Texas City ISD Post- Annexation</u>
<b>Revenues</b>			
Local, intermediate, and out-of-state	\$	\$ 28,000	\$ 28,000
State program revenues		539	539
Federal program revenues			
<b>Total revenues</b>	<u></u>	<u>28,539</u>	<u>28,539</u>
<b>Expenditures</b>			
<b>Current:</b>			
Instruction		97,644	97,644
Curriculum and instructional staff development		539	539
<b>Total Expenditures</b>	<u></u>	<u>98,183</u>	<u>98,183</u>
Net change in fund balances		(69,644)	(69,644)
<b>Fund balance - beginning - see Note 18</b>	<u></u>	<u>71,189</u>	<u>71,189</u>
<b>Fund balance - ending</b>	<u>\$</u>	<u>\$ 1,545</u>	<u>\$ 1,545</u>

**Note 18 - Annexation of La Marque Independent School District into Texas City Independent School District - (continued)**

Governmental activities – internal service funds are detailed in the subsequent pages

**Governmental Activities - Internal Service Funds**

	<u>Texas City ISD Pre-Annexation</u>	<u>La Marque ISD Pre-Annexation</u>	<u>Texas City ISD Post-Annexation</u>
<b>Assets</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 823,364	\$ 1,306,258	\$ 2,129,622
<b>Receivables:</b>			
Due from other funds	210,620	90,024	300,644
Other receivables	(2,209)	2,209	
<b>Total current assets</b>	<u>1,031,775</u>	<u>1,398,491</u>	<u>2,430,266</u>
<b>Total Assets</b>	<u>\$ 1,031,775</u>	<u>\$ 1,398,491</u>	<u>\$ 2,430,266</u>
<b>Liabilities</b>			
<b>Current Liabilities:</b>			
Accounts payable	\$ 2,174	\$ 5,635	\$ 7,809
Accrued expenses	120,294	597,247	717,541
<b>Total Liabilities</b>	<u>122,468</u>	<u>602,882</u>	<u>725,350</u>
<b>Net Position</b>			
Unrestricted net position	<u>909,307</u>	<u>795,609</u>	<u>1,704,916</u>
<b>Total Net Position</b>	<u>909,307</u>	<u>795,609</u>	<u>1,704,916</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 1,031,775</u>	<u>\$ 1,398,491</u>	<u>\$ 2,430,266</u>



**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

*Exhibit F-1*  
*(continued)*

**Note 18 - Annexation of La Marque Independent School District into Texas City Independent School District - (continued)**

**Governmental Activities - Internal Service Funds**

	<b>Texas City ISD Pre-Annexation</b>	<b>La Marque ISD Pre-Annexation</b>	<b>Texas City ISD Post-Annexation</b>
<b>Operating Revenues</b>			
Charges for Services	\$ 212,227	\$ 370,621	\$ 582,848
<b>Total Operating Revenues</b>	<u>212,227</u>	<u>370,621</u>	<u>582,848</u>
<b>Operating Expenses</b>			
Payroll costs	63,111		63,111
Purchased and contracted services	61,680	5,833	67,513
Supplies and materials	3,069		3,069
Claims expense and other operating expenses	147,000	239,825	386,825
<b>Total Operating Expenses</b>	<u>274,860</u>	<u>245,658</u>	<u>520,518</u>
Operating Income (Loss)	<u>(62,633)</u>	<u>124,963</u>	<u>62,330</u>
<b>Non-Operating Revenues</b>			
Investment earnings	1,550	1,213	2,763
<b>Total Nonoperating Revenues</b>	<u>1,550</u>	<u>1,213</u>	<u>2,763</u>
Income (Loss) before transfers	<u>(61,083)</u>	<u>126,176</u>	<u>65,093</u>
<b>Transfers</b>			
Transfers out	<u>(1,193,593)</u>		<u>(1,193,593)</u>
Change in Net Position	(1,254,676)	126,176	(1,128,500)
<b>Net Position - beginning - see Note 18</b>	<u>2,163,983</u>	<u>669,433</u>	<u>2,833,416</u>
<b>Net Position - ending</b>	<u>\$ 909,307</u>	<u>\$ 795,609</u>	<u>\$ 1,704,916</u>

**Note 18 - Annexation of La Marque Independent School District into Texas City Independent School District - (continued)**

**Fund 771**

**Health Insurance Fund**

	<u>Texas City ISD Pre-Annexation</u>	<u>La Marque ISD Pre-Annexation</u>	<u>Texas City ISD Post- Annexation</u>
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$	\$ 30,149	\$ 30,149
<b>Total Current Assets</b>		<u>30,149</u>	<u>30,149</u>
<b>Total Assets</b>		<u>30,149</u>	<u>30,149</u>
<b>Liabilities</b>			
<b>Current Liabilities:</b>			
Accounts payable			
<b>Total Liabilities</b>			
<b>Net Position</b>			
Unrestricted net position		30,149	30,149
<b>Total Net Position</b>	\$	\$ 30,149	\$ 30,149

**Fund 771**

**Health Insurance Fund**

	<u>Texas City ISD Pre-Annexation</u>	<u>La Marque ISD Pre-Annexation</u>	<u>Texas City ISD Post- Annexation</u>
<b>Operating Revenues</b>			
Charges for Services	\$	\$ 15,311	\$ 15,311
<b>Total Operating Revenues</b>		<u>15,311</u>	<u>15,311</u>
<b>Operating Expenses</b>			
Claims expense and other operating expenses		15,311	15,311
<b>Total Operating Expenses</b>		<u>15,311</u>	<u>15,311</u>
Operating (Loss)			
Change in Net Position			
<b>Net Position - beginning</b>		30,149	30,149
<b>Net Position - ending</b>	\$	\$ 30,149	\$ 30,149

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

*Exhibit F-1*  
*(continued)*

**Note 18 - Annexation of La Marque Independent School District into Texas City Independent School District - (continued)**

**Fund 773**

**Worker's Compensation**

	<b>Texas City ISD Pre-Annexation</b>	<b>La Marque ISD Pre-Annexation</b>	<b>Texas City ISD Post- Annexation</b>
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 823,364	\$ 1,276,109	\$ 2,099,473
<b>Receivables:</b>			
Due from other funds	210,620	90,024	300,644
Other receivables	(2,209)	2,209	
<b>Total Current Assets</b>	<u>1,031,775</u>	<u>1,368,342</u>	<u>2,400,117</u>
<b>Total Assets</b>	<u>1,031,775</u>	<u>1,368,342</u>	<u>2,400,117</u>
<b>Liabilities</b>			
<b>Current Liabilities:</b>			
Accounts payable	2,174	5,635	7,809
Accrued expenses	120,294	597,247	717,541
<b>Total Liabilities</b>	<u>122,468</u>	<u>602,882</u>	<u>725,350</u>
<b>Net Position</b>			
Unrestricted net position	909,307	765,460	1,674,767
<b>Total Net Position</b>	<u>\$ 909,307</u>	<u>\$ 765,460</u>	<u>\$ 1,674,767</u>

**Fund 773**

**Worker's Compensation**

	<b>Texas City ISD Pre-Annexation</b>	<b>La Marque ISD Pre-Annexation</b>	<b>Texas City ISD Post- Annexation</b>
<b>Operating Revenues</b>			
Charges for Services	\$ 212,227	\$ 355,310	\$ 567,537
<b>Total Operating Revenues</b>	<u>212,227</u>	<u>355,310</u>	<u>567,537</u>
<b>Operating Expenses</b>			
Payroll costs	63,111		63,111
Purchased and contracted services	61,680	5,833	67,513
Supplies and materials	3,069		3,069
Claims expense and other operating expenses	147,000	224,514	371,514
<b>Total Operating Expenses</b>	<u>274,860</u>	<u>230,347</u>	<u>505,207</u>
Operating Income (Loss)	<u>(62,633)</u>	<u>124,963</u>	<u>62,330</u>
<b>Non-Operating Revenues</b>			
Investment earnings	1,550	1,213	2,763
<b>Total Nonoperating Revenues</b>	<u>1,550</u>	<u>1,213</u>	<u>2,763</u>
Change in Net Position	(61,083)	126,176	65,093
<b>Net Position - beginning</b>	<u>970,390</u>	<u>639,284</u>	<u>1,609,674</u>
<b>Net Position - ending</b>	<u>\$ 909,307</u>	<u>\$ 765,460</u>	<u>\$ 1,674,767</u>

**Note 18 - Annexation of La Marque Independent School District into Texas City Independent School District - (continued)**

**Fund 797**

**Technology Equipment**

	<u>Texas City ISD Pre-Annexation</u>	<u>La Marque ISD Pre-Annexation</u>	<u>Texas City ISD Post- Annexation</u>
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$	\$	\$
<b>Total Current Assets</b>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total Assets</b>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Liabilities</b>			
<b>Current Liabilities:</b>			
Accounts payable	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total Liabilities</b>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Net Position</b>			
Unrestricted net position	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total Net Position</b>	<u>\$                    </u>	<u>\$                    </u>	<u>\$                    </u>

**Fund 797**

**Technology Equipment**

	<u>Texas City ISD Pre-Annexation</u>	<u>La Marque ISD Pre-Annexation</u>	<u>Texas City ISD Post- Annexation</u>
<b>Operating Revenues</b>			
Charges for Services	\$	\$	\$
<b>Total Operating Revenues</b>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Operating Expenses</b>			
Claims expense and other operating expenses	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total Operating Expenses</b>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Operating (Loss)	<u>                    </u>	<u>                    </u>	<u>                    </u>
(Loss) before transfers	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Transfers</b>			
Transfers out	<u>(1,193,593)</u>	<u>                    </u>	<u>(1,193,593)</u>
Change in Net Position	(1,193,593)		(1,193,593)
<b>Net Position - beginning</b>	<u>1,193,593</u>	<u>                    </u>	<u>1,193,593</u>
<b>Net Position - ending</b>	<u>\$                    </u>	<u>\$                    </u>	<u>\$                    </u>

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

*Exhibit F-1*  
*(continued)*

**Note 18 - Annexation of La Marque Independent School District into Texas City Independent School District - (continued)**

**Governmental Activities - Internal Service Funds**

	<u>Texas City ISD Pre-Annexation</u>	<u>La Marque ISD Pre-Annexation</u>	<u>Texas City ISD Post- Annexation</u>
<b>Cash Flows from Operating Activities:</b>			
Cash received from user charges	\$ 260,074	\$ 283,606	\$ 543,680
Cash payments for insurance claims	(88,179)	(239,825)	(328,004)
Cash payments to suppliers for goods and services	(108,974)	(5,833)	(114,807)
Cash payments to employees	(1,394,499)		(1,394,499)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u>(1,331,578)</u>	<u>37,948</u>	<u>(1,293,630)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Transfers to other funds	(1,193,593)		(1,193,593)
<b>Net Cash Used for Non-Capital Financing Activities</b>	<u>(1,193,593)</u>		<u>(1,193,593)</u>
<b>Cash Flows from Investing Activities:</b>			
Interest on investments	1,550	1,213	2,763
<b>Net Cash Provided by Investing Activities</b>	<u>1,550</u>	<u>1,213</u>	<u>2,763</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,523,621)	39,161	(2,484,460)
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>3,346,985</u>	<u>1,267,097</u>	<u>4,614,082</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 823,364</u>	<u>\$ 1,306,258</u>	<u>\$ 2,129,622</u>
<b>Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities:</b>			
Operating Income (Loss)	\$ (62,633)	\$ 124,963	\$ 62,330
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Removal of asset as a result of fund closure	50,592		50,592
<b>Change in Assets and Liabilities:</b>			
Decrease (increase) in Receivables	2,209	(2,209)	
Decrease (increase) in Interfund Receivables	47,847	(90,024)	(42,177)
Increase (decrease) in Accounts Payable	(94,817)	5,218	(89,599)
Increase (decrease) in Accrued Wages Payable	(1,699)		(1,699)
Increase (decrease) in Interfund Payables	(1,329,689)		(1,329,689)
Increase (decrease) in Accrued Expenses	56,612		56,612
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u>\$ (1,331,578)</u>	<u>\$ 37,948</u>	<u>\$ (1,293,630)</u>

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

*Exhibit F-1*  
*(continued)*

**Note 18 - Annexation of La Marque Independent School District into Texas City Independent School District - (continued)**

**Fund 771**

**Health Insurance Fund**

	<u>Texas City ISD Pre-Annexation</u>	<u>La Marque ISD Pre-Annexation</u>	<u>Texas City ISD Post- Annexation</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>			
<b>Cash Flows from Operating Activities:</b>			
Cash received from user charges	\$	\$ 15,311	\$ 15,311
Cash payments for insurance claims		<u>(15,311)</u>	<u>(15,311)</u>
<b>Net Cash Provided by (Used for) Operating Activities</b>			
<b>Cash Flows from Investing Activities:</b>			
Interest on investments			
<b>Net Cash Provided by Investing Activities</b>			
Net Increase (Decrease) in Cash and Cash Equivalents			
Cash and Cash Equivalents at Beginning of Year		30,149	30,149
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$</u>	<u>\$ 30,149</u>	<u>\$ 30,149</u>
<b>Reconciliation of Operating (Loss) to Net Cash Used for Operating Activities:</b>			
Operating (Loss)	\$	\$	\$
<b>Change in Assets and Liabilities:</b>			
Decrease (increase) in Receivables			
Increase (decrease) in Accounts Payable			
<b>Net Cash Used for Operating Activities</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

*Exhibit F-1*  
*(continued)*

**Note 18 - Annexation of La Marque Independent School District into Texas City Independent School District - (continued)**

**Fund 773**

**Worker's Compensation**

	<b>Texas City ISD Pre-Annexation</b>	<b>La Marque ISD Pre-Annexation</b>	<b>Texas City ISD Post- Annexation</b>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>			
<b>Cash Flows from Operating Activities:</b>			
Cash received from user charges	\$ 260,074	\$ 268,295	\$ 528,369
Cash payments for insurance claims	(88,179)	(224,514)	(312,693)
Cash payments to suppliers for goods and services	(65,067)	(5,833)	(70,900)
Cash payments to employees	(1,394,499)		(1,394,499)
<b>Net Cash Used for Operating Activities</b>	<b>(1,287,671)</b>	<b>37,948</b>	<b>(1,249,723)</b>
<b>Cash Flows from Investing Activities:</b>			
Interest on investments	1,550	1,213	2,763
<b>Net Cash Provided by Investing Activities</b>	<b>1,550</b>	<b>1,213</b>	<b>2,763</b>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,286,121)	39,161	(1,246,960)
Cash and Cash Equivalents at Beginning of Year	2,109,485	1,236,948	3,346,433
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 823,364</b>	<b>\$ 1,276,109</b>	<b>\$ 2,099,473</b>
<b>Reconciliation to Balance Sheet</b>			
Cash and Cash Equivalents per Balance Sheet	\$ 823,364	\$ 1,276,109	\$ 2,099,473
<b>Reconciliation of Operating (Loss) to Net Cash Provided by (Used for) Operating Activities:</b>			
Operating (Loss)	\$ (62,633)	\$ 124,963	\$ 62,330
<b>Change in Assets and Liabilities:</b>			
Decrease (increase) in Receivables	2,209	(2,209)	
Decrease (increase) in Interfund Receivables	47,847	(90,024)	(42,177)
Increase (decrease) in Accounts Payable	(318)	5,218	4,900
Increase (decrease) in Accrued Wages Payable	(1,699)		(1,699)
Increase (decrease) in Interfund Payables	(1,329,689)		(1,329,689)
Increase (decrease) in Accrued Expenses	56,612		56,612
<b>Net Cash Used for Operating Activities</b>	<b>\$ (1,287,671)</b>	<b>\$ 37,948</b>	<b>\$ (1,249,723)</b>

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

*Exhibit F-1*  
*(continued)*

**Note 18 - Annexation of La Marque Independent School District into Texas City Independent School District - (continued)**

**Fund 797**

**Technology Equipment**

	<u>Texas City ISD Pre-Annexation</u>	<u>La Marque ISD Pre-Annexation</u>	<u>Texas City ISD Post- Annexation</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>			
<b>Cash Flows from Operating Activities:</b>			
Cash payments to suppliers for goods and services	\$ (43,907)	\$	\$ (43,907)
<b>Net Cash Used for Operating Activities</b>	<u>(43,907)</u>	<u></u>	<u>(43,907)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Transfers to other funds	(1,193,593)		(1,193,593)
<b>Net Cash Used for Non-Capital Financing Activities</b>	<u>(1,193,593)</u>	<u></u>	<u>(1,193,593)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,237,500)		(1,237,500)
Cash and Cash Equivalents at Beginning of Year	1,237,500		1,237,500
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Reconciliation of Operating (Loss) to Net Cash Used for Operating Activities:</b>			
Operating (Loss)	\$	\$	\$
Adjustments to Reconcile Operating (Loss) to Net Cash Provided by Operating Activities:			
Removal of asset as a result of fund closure	50,592		50,592
<b>Change in Assets and Liabilities:</b>			
Increase (decrease) in Accounts Payable	(94,499)		(94,499)
<b>Net Cash Used for Operating Activities</b>	<u>\$ (43,907)</u>	<u>\$</u>	<u>\$ (43,907)</u>

**Agency Funds**

	<u>Texas City ISD Pre-Annexation</u>	<u>La Marque ISD Pre-Annexation</u>	<u>Texas City ISD Post- Annexation</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 128,666	\$ 42,531	\$ 171,197
<b>Total Assets</b>	<u>\$ 128,666</u>	<u>\$ 42,531</u>	<u>\$ 171,197</u>
<b>Liabilities</b>			
Accounts payable	\$ (10,068)	\$ 11,166	\$ 1,098
Due to others	138,734	31,365	170,099
<b>Total Liabilities</b>	<u>\$ 128,666</u>	<u>\$ 42,531</u>	<u>\$ 171,197</u>



**REQUIRED SUPPLEMENTARY INFORMATION**

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
For the Year Ended August 31, 2016

Exhibit G-1

Data Control Codes	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)	
	Original	Final			
<b>Revenues</b>					
5700	Local revenues	\$ 45,824,286	\$ 44,903,338	\$ 44,374,688	\$ (528,650)
5800	State program revenues	10,283,086	12,768,050	13,565,992	797,942
5900	Federal program revenues	714,000	714,000	622,211	(91,789)
<b>5020</b>	<b>Total revenues</b>	<u>56,821,372</u>	<u>58,385,388</u>	<u>58,562,891</u>	<u>177,503</u>
<b>Expenditures</b>					
<b>Current:</b>					
0011	Instruction	29,243,224	32,836,489	31,271,635	1,564,854
0012	Instructional resources and media services	762,025	759,787	707,958	51,829
0013	Curriculum and staff development	794,800	933,112	806,388	126,724
0021	Instructional leadership	461,366	469,394	442,517	26,877
0023	School leadership	3,041,904	3,430,805	3,421,886	8,919
0031	Guidance, counseling and evaluation services	1,586,637	1,591,706	1,585,837	5,869
0032	Social work services	87,539	93,481	93,304	177
0033	Health services	502,259	515,524	490,608	24,916
0034	Student transportation	1,581,105	1,208,052	1,107,182	100,870
0035	Food services		36,835	35,000	1,835
0036	Extracurricular activities	1,638,350	2,560,332	2,393,555	166,777
0041	General administration	2,498,594	3,369,493	3,084,701	284,792
0051	Facilities maintenance and operations	9,247,134	12,505,120	9,818,762	2,686,358
0052	Security and monitoring services	915,118	1,320,447	1,268,838	51,609
0053	Data processing services	2,185,937	5,518,031	3,836,591	1,681,440
0061	Community services	18,923	18,923	13,446	5,477
<b>Debt Service:</b>					
0071	Principal on long-term debt		56,000	55,493	507
0072	Interest on long-term debt		3,200	3,130	70
<b>Capital Outlay:</b>					
0081	Facilities acquisition and construction	6,550,138	9,544,006	4,216,398	5,327,608
<b>Intergovernmental:</b>					
0091	Contracted instructional services	1,397,464	1,597,464	1,382,460	215,004
0093	Payments related to shared services arrangements	237,000	231,000	200,134	30,866
0095	Payments to Juvenile Justice Alt. Ed. Prgm.	50,000	50,000	638	49,362
0099	Payments to other governments	520,000	520,000	437,953	82,047
<b>6030</b>	<b>Total Expenditures</b>	<u>63,319,517</u>	<u>79,169,201</u>	<u>66,674,414</u>	<u>12,494,787</u>
1100	Excess (deficiency) of revenues over expenditures	<u>(6,498,145)</u>	<u>(20,783,813)</u>	<u>(8,111,523)</u>	<u>12,672,290</u>
<b>Other Financing Sources (Uses)</b>					
7915	Transfers in		1,143,000	1,193,593	50,593
<b>7080</b>	<b>Total other financing sources and uses</b>		<u>1,143,000</u>	<u>1,193,593</u>	<u>50,593</u>
1200	Net change in fund balances	(6,498,145)	(19,640,813)	(6,917,930)	12,722,883
<b>0100</b>	<b>Fund balances - beginning - see Note 18</b>	<u>31,666,255</u>	<u>31,666,255</u>	<u>31,666,255</u>	
<b>3000</b>	<b>Fund balances - ending</b>	<u>\$ 25,168,110</u>	<u>\$ 12,025,442</u>	<u>\$ 24,748,325</u>	<u>\$ 12,722,883</u>

Note - This schedule only includes the original budget, final budget, and actual revenue and expenditures approved by the Texas City ISD Board of Trustees, pre-annexation.

The District adopts annual appropriations type budgets for the General Fund, Child Nutrition Special Revenue Fund, and the Debt Service Fund using the same method of accounting as for financial reporting, as required by law. The remaining special revenue funds (primarily federal grant programs) utilize a managerial type budget approved at the fund level by the Board of Trustees upon acceptance of the grants. These grants are subject to federal, state, and locally imposed project length budgets and monitoring through submission of reimbursement reports.

Expenditures may not legally exceed budgeted appropriations at the function or activity level. Expenditure requests which would require an increase in total budgeted appropriations must be approved by the Trustees through formal budget amendment. State law prohibits trustees from making budget appropriations in excess of funds available and estimated revenues. State law also prohibits amendment of the budget after fiscal year end. Supplemental appropriations were made during the fiscal year ended August 31, 2016. During the year ended August 31, 2016, the Board of Trustees approved budget amendments increasing expenditures as follows:

	<u>General Fund</u>	<u>Child Nutrition Fund</u>	<u>Debt Service Fund</u>
Amendments Approved	\$ 15,849,684	\$ 302,500	\$ 450,000

The administrative level at which responsibility for control of budgeted appropriations begins is at the organizational level within each function of operations. The finance department reviews the expenditure requests submitted by the various organizational heads (principal and department heads) throughout the year to ensure proper spending compliance. No public funds of the District shall be expended in any manner other than as provided for in the budget adopted by the Board of Trustees.

The official school budget was prepared for adoption for budgeted governmental fund types by August 20, 2015. The budget was formally adopted by the Board of Trustees at a duly advertised public meeting prior to the expenditure of funds. The final amended budget is filed with the Texas Education Agency (TEA) through inclusion in the annual financial and compliance report.

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT'S PROPORTIONAL SHARE OF**  
**THE NET PENSION LIABILITY**  
**Teacher Retirement System of Texas**  
**Last Two Measurement Years**

*Exhibit G-3*

	<u>2015</u>	<u>2014</u>
	0.0552%	0.0371%
District's proportionate share of the net pension liability	\$ 19,496,417	\$ 9,906,958
State's proportionate share of the net pension liability associated with the District	29,089,883	25,293,310
Total	<u>\$ 48,586,300</u>	<u>\$ 35,200,268</u>
District's covered-employee payroll (for Measurement Year)	\$ 50,195,373	\$ 45,436,168
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	38.8%	21.8%
Plan fiduciary net position as a percentage of the total pension liability*	78.43%	83.25%
Plan's net pension liability as a percentage of covered-employee payroll*	91.94%	72.89%

Notes: Five years of data should be presented in this schedule but data is unavailable prior to 2014.  
Net pension liability and related ratios will be presented prospectively as data becomes available.  
Net pension liability is calculated using an new methodology and will be presented prospectively in accordance with GASB 68.  
The amounts presented for each Plan year which ends the preceding August 31 of the District's fiscal year.

\* Per TRS's CAFR

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS**  
**Teacher Retirement System of Texas**  
**Last Three Fiscal Years**

*Exhibit G-4*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 1,702,088	\$ 1,633,154	\$ 940,306
Contributions in relation to the contractual required contributions	<u>1,702,088</u>	<u>1,633,154</u>	<u>940,306</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>
District's covered employee payroll	\$ 50,996,372	\$ 50,195,373	\$ 48,414,128
Contributions as a percentage of covered employee payroll	3.34%	3.25%	1.94%

**Notes to Required Supplementary Information**

Effective September 1, 2014, employers who did not contribute Social Security for TRS-eligible employees were required to contribute an additional 1.5% of TRS-eligible compensation which nearly doubled the District's contributions into the Plan. Because the District's proportional share of the plan is determined by its proportional share of contributions, the District recognized a corresponding increase in its share of net pension liability.

**Changes of Assumptions**

New actuarial assumptions were adopted by the Teacher Retirement System of Texas' Board of Trustees on September 24, 2015, and are effective with the valuation as of August 31, 2015. The major assumptions changes were the adoption of the use of generational mortality for the purpose of predicting future mortality improvement and the reduction in the inflation rate from 3.00% to 2.50%.

**Changes of Benefit Terms**

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

**OTHER SUPPLEMENTARY INFORMATION**

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**

**COMBINING BALANCE SHEET**

**ALL NONMAJOR GOVERNMENTAL FUNDS**

August 31, 2016

<b>Data Control Codes</b>	<b>205</b>	<b>206</b>	<b>211</b>	<b>224</b>
<b>Head Start</b>	<b>ESEA, Title X, Part C - Education for the Homeless Children and Youth</b>	<b>ESEA Title I, A - Improving Basic Program</b>	<b>IDEA B - Formula</b>	
<b>Assets</b>				
1110 Cash and cash equivalents	\$	\$	\$	\$
<b>Receivables:</b>				
1240 Receivables from other governments	195,499		311,478	276,968
1260 Due from other funds				
1290 Other receivables				
1310 Inventories, at cost				
<b>1000 Total Assets</b>	<b>\$ 195,499</b>	<b>\$</b>	<b>\$ 311,478</b>	<b>\$ 276,968</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
<b>Current Liabilities:</b>				
2110 Accounts payable	\$ 3,934	\$	\$ 39,316	\$ 3,462
2160 Accrued wages payable				
2170 Due to other funds	191,565		272,162	273,506
2300 Unearned revenues				
<b>2000 Total Liabilities</b>	<b>195,499</b>	<b>\$</b>	<b>311,478</b>	<b>276,968</b>
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
3410 Inventories				
<b>Restricted:</b>				
3450 Federal/State grant restrictions				
3470 Capital acquisitions				
<b>Committed:</b>				
3545 Other purposes				
<b>3000 Total fund balances</b>				
<b>4000 Total Liabilities and Fund Balances</b>	<b>\$ 195,499</b>	<b>\$</b>	<b>\$ 311,478</b>	<b>\$ 276,968</b>



225	226	240	244	255	263
<u>IDEA B - Preschool</u>	<u>IDEA B Discretionary</u>	<u>Child Nutrition Fund</u>	<u>Vocational Ed. - Basic</u>	<u>ESEA Title II, A - Training and Recruiting</u>	<u>ESEA Title III, A - English Lang. Acquisition</u>
\$	\$	\$ 728,113	\$	\$	\$
34,946	45,452	167,742		53,469	9,746
		141			
		28,921			
		23,731			
<u>\$ 34,946</u>	<u>\$ 45,452</u>	<u>\$ 948,648</u>	<u>\$</u>	<u>\$ 53,469</u>	<u>\$ 9,746</u>
\$ 5,488	\$	\$ 181,832	\$	\$	\$ 4,031
29,458	45,452	57,842		53,469	5,715
		4,380			
<u>34,946</u>	<u>45,452</u>	<u>244,054</u>	<u></u>	<u>53,469</u>	<u>9,746</u>
		23,731			
		680,863			
		704,594			
<u>\$ 34,946</u>	<u>\$ 45,452</u>	<u>\$ 948,648</u>	<u>\$</u>	<u>\$ 53,469</u>	<u>\$ 9,746</u>

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**

**COMBINING BALANCE SHEET**

**ALL NONMAJOR GOVERNMENTAL FUNDS**

August 31, 2016

Data Control Codes	265 Title IV, Part B - 21st Century Community Learning Centers	289 Federally Funded Special Revenue Funds	404 Student Success Initiative	409 Mathematics Instructional Coach	
<b>Assets</b>					
1110	Cash and cash equivalents	\$	\$ 206,929	\$ 24,673	\$ 1,250
<b>Receivables:</b>					
1240	Receivables from other governments	104,910			
1260	Due from other funds				
1290	Other receivables				
1310	Inventories, at cost				
<b>1000</b>	<b>Total Assets</b>	<u>\$ 104,910</u>	<u>\$ 206,929</u>	<u>\$ 24,673</u>	<u>\$ 1,250</u>
<b>Liabilities and Fund Balance</b>					
<b>Liabilities:</b>					
<b>Current Liabilities:</b>					
2110	Accounts payable	\$	\$	\$	\$
2160	Accrued wages payable				
2170	Due to other funds	104,910			
2300	Unearned revenues		24,673	1,250	
<b>2000</b>	<b>Total Liabilities</b>	<u>104,910</u>	<u>24,673</u>	<u>1,250</u>	
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
3410	Inventories				
<b>Restricted:</b>					
3450	Federal/State grant restrictions		206,929		
3470	Capital acquisitions				
<b>Committed:</b>					
3545	Other purposes				
<b>3000</b>	<b>Total fund balances</b>		<u>206,929</u>		
<b>4000</b>	<b>Total Liabilities and Fund Balances</b>	<u>\$ 104,910</u>	<u>\$ 206,929</u>	<u>\$ 24,673</u>	<u>\$ 1,250</u>

410	415	461	499	
<u>Instructional Materials Allotment</u>	<u>Kindergarten and Pre-K Grants</u>	<u>Campus Activity Fund</u>	<u>Locally Funded Special Revenue Funds</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 14,468	\$	\$ 826,193	\$ 1,545	\$ 1,803,171
	48,114			1,248,324
		1,160		141
				30,081
				23,731
<u>\$ 14,468</u>	<u>\$ 48,114</u>	<u>\$ 827,353</u>	<u>\$ 1,545</u>	<u>\$ 3,105,448</u>
\$	\$	\$ 27,367	\$	\$ 265,430
	48,114			57,842
14,468				1,028,731
<u>14,468</u>	<u>48,114</u>	<u>27,367</u>		<u>40,391</u>
				1,392,394
				23,731
			1,545	889,337
		799,986		799,986
		<u>799,986</u>	<u>1,545</u>	<u>1,713,054</u>
<u>\$ 14,468</u>	<u>\$ 48,114</u>	<u>\$ 827,353</u>	<u>\$ 1,545</u>	<u>\$ 3,105,448</u>

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - ALL NONMAJOR GOVERNMENTAL FUNDS**  
*For the Year Ended August 31, 2016*

<b>Data Control Codes</b>		<b>205</b>	<b>206</b>	<b>211</b>	<b>224</b>
		<b>Head Start</b>	<b>ESEA, Title X, Part C - Education for the Homeless Children and Youth</b>	<b>ESEA Title I, A - Improving Basic Program</b>	<b>IDEA B - Formula</b>
<b>Revenues</b>					
5700	Local, intermediate, and out-of-state	\$	\$	\$	\$
5800	State program revenues				
5900	Federal program revenues	1,124,259	11,346	1,668,602	1,589,942
5020	<b>Total revenues</b>	<u>1,124,259</u>	<u>11,346</u>	<u>1,668,602</u>	<u>1,589,942</u>
<b>Expenditures</b>					
<b>Current:</b>					
0011	Instruction	785,336	11,117	1,457,717	1,327,418
0012	Instruction resources and media services				
0013	Curriculum and instructional staff development	16,856		45,139	21,515
0021	Instructional leadership		229	32,202	5,130
0023	School leadership	112,520		7,882	
0031	Guidance, counseling and evaluation services				211,493
0032	Social work services			67,812	7,005
0033	Health services	28,607			
0034	Student transportation	56,289			
0035	Food service				
0036	Extracurricular activities				
0041	General administration				
0051	Plant maintenance and operations				
0052	Security and monitoring services				
0053	Data processing services				17,381
0061	Community services	124,651		57,850	
6030	<b>Total Expenditures</b>	<u>1,124,259</u>	<u>11,346</u>	<u>1,668,602</u>	<u>1,589,942</u>
1200	Net change in fund balances				
0100	<b>Fund balance - beginning - see Note 18</b>				
3000	<b>Fund balance - ending</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

225	226	240	244	255	263
IDEA B - Preschool	IDEA B Discretionary	Child Nutrition Fund	Vocational Ed. - Basic	ESEA Title II, A - Training and Recruiting	ESEA Title III, A - English Lang. Acquisition
\$	\$	\$ 1,403,765	\$	\$	\$
		118,988			
67,520	45,452	4,537,722	60,735	295,129	32,638
67,520	45,452	6,060,475	60,735	295,129	32,638
67,520	45,452		31,723	173,920	28,564
			1,501	121,209	4,074
			27,511		
		5,936,188			
67,520	45,452	5,936,188	60,735	295,129	32,638
		124,287			
		580,307			
\$	\$	\$ 704,594	\$	\$	\$

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - ALL NONMAJOR GOVERNMENTAL FUNDS**  
*For the Year Ended August 31, 2016*

<u>Data Control Codes</u>		265	289	404	409
		<b>Title IV, Part B - 21st Century Community Learning Centers</b>	<b>Federally Funded Special Revenue Funds</b>	<b>Student Success Initiative</b>	<b>Mathematics Instructional Coach</b>
	<b>Revenues</b>				
5700	Local, intermediate, and out-of-state	\$	\$	\$	\$
5800	State program revenues				
5900	Federal program revenues	1,696,402	604,357		
<b>5020</b>	<b>Total revenues</b>	<u>1,696,402</u>	<u>604,357</u>		
	<b>Expenditures</b>				
	<b>Current:</b>				
0011	Instruction	936,603	488,964		
0012	Instruction resources and media services				
0013	Curriculum and instructional staff development	8,942	84,494		
0021	Instructional leadership	224,967	40,904		
0023	School leadership	370,454			
0031	Guidance, counseling and evaluation services				
0032	Social work services				
0033	Health services				
0034	Student transportation	80,725			
0035	Food service				
0036	Extracurricular activities	42,423			
0041	General administration				
0051	Plant maintenance and operations	21,043			
0052	Security and monitoring services	11,245			
0053	Data processing services				
0061	Community services				
<b>6030</b>	<b>Total Expenditures</b>	<u>1,696,402</u>	<u>614,362</u>		
1200	Net change in fund balances		(10,005)		
<b>0100</b>	<b>Fund balance - beginning - see Note 18</b>		<u>216,934</u>		
<b>3000</b>	<b>Fund balance - ending</b>	<u>\$</u>	<u>\$ 206,929</u>	<u>\$</u>	<u>\$</u>

410	415	461	499	
<b>Instructional Materials Allotment</b>	<b>Kindergarten and Pre-K Grants</b>	<b>Campus Activity Fund</b>	<b>Locally Funded Special Revenue Funds</b>	<b>Total Nonmajor Governmental Funds</b>
\$ 256,636	\$ 48,114	\$ 1,320,804	\$ 28,000 539	\$ 2,752,569 424,277 11,734,104
<u>256,636</u>	<u>48,114</u>	<u>1,320,804</u>	<u>28,539</u>	<u>14,910,950</u>
256,636	48,114	675,169 27,723	97,644 539	6,431,897 27,723 304,269 303,432 516,332 239,947 74,817 28,607 137,014 5,936,188 271,475 27,557 21,043 11,245 17,381 251,377
<u>256,636</u>	<u>48,114</u>	<u>1,054,796</u>	<u>98,183</u>	<u>14,600,304</u>
		266,008	(69,644)	310,646
		<u>533,978</u>	<u>71,189</u>	<u>1,402,408</u>
<u>\$</u>	<u>\$</u>	<u>\$ 799,986</u>	<u>\$ 1,545</u>	<u>\$ 1,713,054</u>

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**

*Exhibit H-3*

**COMBINING STATEMENT OF NET POSITION**

**INTERNAL SERVICE FUNDS**

*For the Year Ended August 31, 2016*

<b>Data Control Codes</b>	<b>771 Health Insurance Fund</b>	<b>773 Worker's Compensation</b>	<b>797 Technology Equipment</b>	<b>Total</b>
<b>Assets</b>				
<b>Current assets:</b>				
1110	Cash and cash equivalents	\$ 30,149	\$ 2,099,473	\$ 2,129,622
<b>Receivables:</b>				
1260	Due from other funds		300,644	300,644
1290	Other receivables			
	<b>Total Current Assets</b>	30,149	2,400,117	2,430,266
<b>1000</b>	<b>Total Assets</b>	30,149	2,400,117	2,430,266
<b>Liabilities</b>				
<b>Current Liabilities:</b>				
2110	Accounts payable		7,809	7,809
2200	Accrued expenses		717,541	717,541
<b>2000</b>	<b>Total Liabilities</b>		725,350	725,350
<b>Net Position</b>				
3900	Unrestricted net position	30,149	1,674,767	1,704,916
<b>3000</b>	<b>Total Net Position</b>	\$ 30,149	\$ 1,674,767	\$ 1,704,916



**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**INTERNAL SERVICE FUNDS**  
*For the Year Ended August 31, 2016*

*Exhibit H-4*

<b>Data Control Codes</b>	<b>771 Health Insurance Fund</b>	<b>773 Worker's Compensation</b>	<b>797 Technology Equipment</b>	<b>Total</b>
<b>Operating Revenues</b>				
5700	Charges for Services	\$ 15,311	\$ 567,537	\$ 582,848
<b>5020</b>	<b>Total operating revenues</b>	<u>15,311</u>	<u>567,537</u>	<u>582,848</u>
<b>Operating Expenses</b>				
6100	Payroll costs		63,111	63,111
6200	Purchased and contracted services		67,513	67,513
6300	Supplies and materials		3,069	3,069
6400	Claims expense and other operating expenses	15,311	371,514	386,825
<b>6030</b>	<b>Total Operating Expenses</b>	<u>15,311</u>	<u>505,207</u>	<u>520,518</u>
1200	Operating Income (Loss)		<u>62,330</u>	<u>62,330</u>
<b>Non-Operating Revenues (Expenses)</b>				
7020	Earnings - temporary deposits and investments		2,763	2,763
	<b>Total Nonoperating Revenues</b>		<u>2,763</u>	<u>2,763</u>
	Income (Loss) before Transfers		65,093	65,093
<b>Transfers</b>				
8911	Transfers out		(1,193,593)	(1,193,593)
1200	Change in Net Position		65,093	(1,128,500)
<b>Net Position</b>				
<b>0100</b>	<b>Net Position - beginning - see Note 18</b>	<u>30,149</u>	<u>1,609,674</u>	<u>1,193,593</u>
<b>3300</b>	<b>Net Position - ending</b>	<u>\$ 30,149</u>	<u>\$ 1,674,767</u>	<u>\$ 1,704,916</u>

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
Year Ended August 31, 2016

Exhibit H-5

	<b>771</b>	<b>773</b>	<b>797</b>	
	<b>Health</b>		<b>Technology</b>	
	<b>Insurance</b>	<b>Worker's</b>	<b>Equipment</b>	<b>Total</b>
	<b>Fund</b>	<b>Compensation</b>		
<b>Cash Flows from Operating Activities:</b>				
Cash received from user charges	\$ 15,311	\$ 528,369	\$	\$ 543,680
Cash payments for insurance claims	(15,311)	(312,693)		(328,004)
Cash payments to suppliers for goods and services		(70,900)	(43,907)	(114,807)
Cash payments to employees		(1,394,499)		(1,394,499)
<b>Net Cash Used for Operating Activities</b>		<b>(1,249,723)</b>	<b>(43,907)</b>	<b>(1,293,630)</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>				
Transfers to other funds			(1,193,593)	(1,193,593)
<b>Net Cash Used for Non-Capital Financing Activities</b>			<b>(1,193,593)</b>	<b>(1,193,593)</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Net effect of transfer of capital assets to other funds				
<b>Net Cash Provided by Capital and Related Financing Activities</b>				
<b>Cash Flows from Investing Activities:</b>				
Interest on investments		2,763		2,763
<b>Net Cash Provided by Investing Activities</b>		<b>2,763</b>		<b>2,763</b>
Net Decrease in Cash and Cash Equivalents		(1,246,960)	(1,237,500)	(2,484,460)
Cash and Cash Equivalents at Beginning of Year - see Note 18	30,149	3,346,433	1,237,500	4,614,082
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 30,149</b>	<b>\$ 2,099,473</b>	<b>\$</b>	<b>\$ 2,129,622</b>
<b>Reconciliation to Balance Sheet</b>				
Cash and Cash Equivalents per Balance Sheet	\$ 30,149	\$ 2,099,473	\$	\$ 2,129,622
<b>Reconciliation of Operating (Loss) to Net Cash Used for Operating Activities:</b>				
Operating (Loss)	\$	\$ 62,330	\$	\$ 62,330
Adjustments to Reconcile Operating (Loss) to Net Cash Provided by Operating Activities:				
Removal of asset as a result of fund closure			50,592	50,592
<b>Change in Assets and Liabilities:</b>				
Decrease (increase) in Receivables				
Decrease (increase) in Interfund Receivables		(42,177)		(42,177)
Increase (decrease) in Accounts Payable		4,900	(94,499)	(89,599)
Increase (decrease) in Accrued Wages Payable		(1,699)		(1,699)
Increase (decrease) in Interfund Payables		(1,329,689)		(1,329,689)
Increase (decrease) in Accrued Expenses		56,612		56,612
<b>Net Cash Used for Operating Activities</b>	<b>\$</b>	<b>\$ (1,249,723)</b>	<b>\$ (43,907)</b>	<b>\$ (1,293,630)</b>

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
 August 31, 2016

*Exhibit H-6*

<b>Data Control Codes</b>		<b>828</b>	<b>848</b>	<b>849</b>	<b>Total Private Purpose Trust Funds</b>	<b>Agency Funds</b>
		<b>Project Garden Grant</b>	<b>Employee Scholarship Fund</b>	<b>Heatherington Scholarship</b>		
	<b>Assets</b>					
1110	Cash and cash equivalents	\$ 3,201	\$ 91,565	\$ 39,621	\$ 134,387	\$ 171,197
<b>1000</b>	<b>Total Assets</b>	<u>\$ 3,201</u>	<u>\$ 91,565</u>	<u>\$ 39,621</u>	<u>\$ 134,387</u>	<u>\$ 171,197</u>
	<b>Liabilities</b>					
2110	Accounts payable	\$	\$	\$	\$	\$ 1,098
2190	Due to others					170,099
<b>2000</b>	<b>Total Liabilities</b>					<u>\$ 171,197</u>
	<b>Net Position</b>					
3800	Restricted	<u>\$ 3,201</u>	<u>\$ 91,565</u>	<u>\$ 39,621</u>	<u>\$ 134,387</u>	

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN FIDUCIARY NET POSITION**  
*For the Year Ended August 31, 2016*

*Exhibit H-7*

	<b>828</b>	<b>848</b>	<b>849</b>	
	<b>Project</b>	<b>Employee</b>	<b>Heatherington</b>	
	<b>Garden</b>	<b>Scholarship</b>	<b>Scholarship</b>	
	<b>Grant</b>	<b>Fund</b>	<b>Scholarship</b>	<b>Total</b>
<b>Additions</b>				
Local and Intermediate Sources	\$	\$ 15,579	\$ 34	\$ 15,613
<b>Total additions</b>		15,579	34	15,613
<b>Deductions</b>				
Professional and contracted services		19,408		19,408
<b>Total deductions</b>		19,408		19,408
Change in net position		(3,829)	34	(3,795)
<b>Net position, beginning of year</b>	3,201	95,394	39,587	138,182
<b>Net position, end of year</b>	\$ 3,201	\$ 91,565	\$ 39,621	\$ 134,387

**REQUIRED TEA SCHEDULES**

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF DELINQUENT TAXES RECEIVABLE**

*For the Year Ended August 31, 2016*

Last Ten Fiscal Years	Tax Rates		Net Assessed/Appraised Value For School Tax Purposes	Beginning Balance 9/1/2015
	Maintenance	Debt Service		
2007 and prior	Various	Various	Various	\$ 1,388,327
2008	1.040050	0.072700	\$ 4,070,666,320	170,461
2009	1.040000	0.144930	4,368,445,589	192,685
2010	1.040000	0.176000	4,118,093,421	204,676
2011	1.040000	0.248600	3,660,903,461	229,534
2012	1.040000	0.255300	3,766,001,390	253,208
2013	1.040000	0.229200	4,036,710,841	294,268
2014	1.040000	0.250900	3,737,856,457	386,858
2015	1.040000	0.221600	3,960,387,445	788,527
2016	1.170000	0.259800	5,032,695,549	
<b>1000 Totals</b>				<u><u>\$ 3,908,544</u></u>

	Tax Rate		Assessed Value	Beginning Balance
Texas City ISD	1.170000	0.259800	\$ 3,528,150,790	\$ 1,591,287
La Marque ISD	1.040000	0.180000	1,504,544,759	2,317,257
			<u><u>\$ 5,032,695,549</u></u>	<u><u>\$ 3,908,544</u></u>

*Exhibit J-1*

<b>20</b>	<b>31</b>	<b>32</b>	<b>40</b>	<b>50</b>
<b>Current Year's Total Levy</b>	<b>Maintenance Total Collections</b>	<b>Debt Service Total Collections</b>	<b>Entire Year's Adjustments</b>	<b>Ending Balance 8/31/2016</b>
\$	\$ 36,046	\$ 3,770	\$ (65,181)	\$ 1,283,330
	5,646	564	(3,509)	160,742
	9,054	1,341	(4,797)	177,493
	12,869	2,250	(4,295)	185,262
	21,136	4,748	(4,156)	199,494
	32,450	7,401	(1,137)	212,220
	44,488	8,953	(1,806)	239,021
	88,281	18,059	(3,091)	277,427
	325,507	60,234	(24,490)	378,296
<u>68,800,946</u>	<u>56,223,128</u>	<u>11,701,711</u>		<u>876,107</u>
<u>\$ 68,800,946</u>	<u>\$ 56,798,605</u>	<u>\$ 11,809,031</u>	<u>\$ (112,462)</u>	3,989,392
				<u>3,668,168</u>
				<u>\$ 7,657,560</u>
<u>Levy</u>	<u>Maintenance</u>	<u>Debt Service</u>	<u>Adjustments</u>	<u>Ending Balance</u>
\$ 50,445,500	41,465,644	9,155,950	(55,760)	\$ 2,807,853
18,355,446	15,332,961	2,653,081	(56,702)	4,849,707
<u>\$ 68,800,946</u>	<u>\$ 56,798,605</u>	<u>\$ 11,809,031</u>	<u>\$ (112,462)</u>	<u>\$ 7,657,560</u>

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**

*Exhibit J-2*

**BUDGETARY COMPARISON SCHEDULE**

**CHILD NUTRITION FUND**

*For the Year Ended August 31, 2016*

<b>Data Control Codes</b>		<b>Child Nutrition Fund</b>			
		<b>Budgeted Amounts</b>		<b>Actual Amounts, Budgetary Basis</b>	<b>Variance with Final Budget - Positive (Negative)</b>
		<b>Original</b>	<b>Final</b>		
	<b>Revenues</b>				
5700	Local revenues	\$ 1,152,024	\$ 1,152,024	\$ 843,407	\$ (308,617)
5800	State program revenues	18,917	18,917	21,625	2,708
5900	Federal program revenues	3,044,883	3,344,883	3,185,603	(159,280)
<b>5020</b>	<b>Total revenues</b>	<u>4,215,824</u>	<u>4,515,824</u>	<u>4,050,635</u>	<u>(465,189)</u>
	<b>Expenditures</b>				
	<b>Current:</b>				
0035	Food services	4,213,324	4,515,824	4,055,938	459,886
<b>6030</b>	<b>Total Expenditures</b>	<u>4,213,324</u>	<u>4,515,824</u>	<u>4,055,938</u>	<u>459,886</u>
1200	Net change in fund balances	2,500		(5,303)	(5,303)
<b>0100</b>	<b>Fund balances - beginning - see Note 18</b>	<u>39,296</u>	<u>39,296</u>	<u>39,296</u>	
<b>3000</b>	<b>Fund balances - ending</b>	<u>\$ 41,796</u>	<u>\$ 39,296</u>	<u>\$ 33,993</u>	<u>\$ (5,303)</u>

*Note - This schedule only includes the original budget, final budget, and actual revenue and expenditures approved by the Texas City ISD Board of Trustees, pre-annexation.*



TEXAS CITY INDEPENDENT SCHOOL DISTRICT

Exhibit J-3

BUDGETARY COMPARISON SCHEDULE

DEBT SERVICE FUND

For the Year Ended August 31, 2016

Data Control Codes	Debt Service				
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)	
	Original	Final			
<b>Revenues</b>					
5700	Local revenues	\$ 9,510,503	\$ 9,510,503	\$ 9,209,459	\$ (301,044)
5800	State program revenues			125,407	125,407
<b>5020</b>	<b>Total revenues</b>	<u>9,510,503</u>	<u>9,510,503</u>	<u>9,334,866</u>	<u>(175,637)</u>
<b>Expenditures</b>					
<b>Debt Service:</b>					
0071	Principal on long-term debt	5,225,000	5,225,000	5,225,000	
0072	Interest on long-term debt	4,279,025	4,729,025	4,723,434	5,591
0073	Bond issuance costs and fees	6,478	6,478	3,650	2,828
<b>6030</b>	<b>Total Expenditures</b>	<u>9,510,503</u>	<u>9,960,503</u>	<u>9,952,084</u>	<u>8,419</u>
0100	Net change in fund balances		(450,000)	(617,218)	(167,218)
<b>0100</b>	<b>Fund balances - beginning - see Note 18</b>	<u>1,715,353</u>	<u>1,715,353</u>	<u>1,715,353</u>	
<b>3000</b>	<b>Fund balances - ending</b>	<u>\$ 1,715,353</u>	<u>\$ 1,265,353</u>	<u>\$ 1,098,135</u>	<u>\$ (167,218)</u>

Note - This schedule only includes the original budget, final budget, and actual revenue and expenditures approved by the Texas City ISD Board of Trustees, pre-annexation.

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**FEDERAL AWARDS SECTION**

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To the Board of Trustees  
Texas City Independent School District

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Texas City, Texas  
January 10, 2017

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE *UNIFORM GUIDANCE***

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

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

We have audited Texas City Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2016. 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 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"). 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.

To the Board of Trustees  
Texas City Independent School District

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

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2016.

**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.

*Whitley Penn LLP*

Texas City, Texas  
January 10, 2017



**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
*For the Year Ended August 31, 2016*

**I. Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance with major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Numbers</u>
<b>U.S. Department of Education:</b>	
Title I, Part A	84.010A
Title II, Part A, Teacher/Principal Training	84.367A
<b>U.S. Department of Justice:</b>	
Head Start	93.600
Dollar Threshold Considered Between Type A and Type B Federal Programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**  
**For the Year Ended August 31, 2016**

**II. Financial Statement Findings**

None reported.

**III. Federal Awards Findings and Questioned Costs**

None reported.

**IV. Status of Prior Year Findings**

None reported.

**TEXAS CITY INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended August 31, 2016

Exhibit K-1

(2A) Pass Through Entity Identifying Number	(1) Federal Grantor/ Pass-Through Grantor/ Program Title	District Fund Number	(2) Federal CFDA Number	(3) Federal Expenditures
<b>U.S. Department of Education</b>				
<b>Passed Through Texas Education Agency:</b>				
<b><u>Special Education Cluster:</u></b>				
166600010849066000	<i>IDEA-B Formula</i>	224	84.027A	\$ 967,251
166610010849066000	<i>IDEA-B Preschool</i>	225	84.173A	52,310
16660006084906	<i>IDEA-B High Cost Risk Pool</i>	226	84.027A	977
<b>Total Special Education Cluster</b>				<u>1,020,538</u>
16610101084906	<i>ESEA, Title I, Part A</i>	211	84.010A	921,174
16420006084906	<i>Carl D. Perkins Basic Grant</i>	244	84.048A	60,735
16694501084906	<i>Title II, Part A, Teacher/Principal Training</i>	255	84.367A	196,910
16671001084906	<i>Title III, Part A, LEP</i>	263	84.365A	32,638
166950197110035	<i>21st Century Cycle 8 Year 3</i>	265	84.287C	36,725
176950197110020	<i>21st Century Cycle 8 Year 4</i>	265	84.287C	68,185
69551502	<i>Summer School LEP</i>	289	84.369A	3,339
<b>Total Passed Through Texas Education Agency</b>				<u>2,340,244</u>
<b>Total U.S. Department of Education</b>				<u>2,340,244</u>
<b>U.S. Department of Health &amp; Human Services</b>				
<b>Direct:</b>				
06CH706503	<i>Head Start</i>	205	93.600	344,932
06CH706504	<i>Head Start</i>	205	93.600	779,327
<b>Total U.S. Department of Health &amp; Human Services</b>				<u>1,124,259</u>
<b>U.S. Department of Agriculture</b>				
<b><u>Child Nutrition Cluster:</u></b>				
<b>Passed Through the Texas Department of Agriculture:</b>				
Non Cash assistance (Commodities):				
CE-084906	<i>National School Lunch Program</i>	240	10.555	221,965
<b>Passed Through Texas Education Agency:</b>				
Cash assistance:				
71300601	<i>National School Lunch Program</i>	240	10.555	2,166,908
71400601	<i>School Breakfast Program</i>	240	10.553	796,730
<b>Total Passed Through Texas Education Agency</b>				<u>2,963,638</u>
<b>Total Child Nutrition Cluster</b>				<u>3,185,603</u>
<b>Total U.S. Department of Agriculture</b>				<u>3,185,603</u>
<b>Total Expenditures of Federal Awards</b>				<u>\$ 6,650,106</u>

**Note 1 -Basis of Accounting**

The District accounts for all awards under federal programs in the General and Certain Special Revenue Funds in accordance with the Texas Education Agency's *Financial Accountability System Resource Guide*. These programs are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for these funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement. Pass-through entity identifying numbers are presented where available.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly, when such funds are received, they are recorded as unearned revenues until earned. Generally, unused balances are returned to the grantor at the close of specified project periods. The District has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Note 2 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the District under programs of the federal government for the year ended August 31, 2016. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

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

The following is a reconciliation of expenditures of federal awards program per Exhibit K-1 and expenditures reported on Exhibit C-3:

Total Expenditures of Federal Awards on Exhibit K-1	\$ 6,650,106
Federal Revenue reported in the General Fund	
Medicaid SHARS	1,089,876
Navy JROTC	34,844
Total Federal Revenue reported in the General Fund	<u>1,124,720</u>
La Marque Independent School District Federal Awards	<u>5,083,998</u>
Total Federal Revenue - Exhibit C-3	<u><u>\$ 12,858,824</u></u>

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### Schedule L-1 – Required Responses to Selected School FIRST Indicators

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.	\$ 0
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ 0
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 19,496,417
SF13	Pension Expense (6147) at fiscal year-end.	\$ 2,188,397