

**COMMUNITY INDEPENDENT
SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED JUNE 30, 2019**

COMMUNITY INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2019

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CERTIFICATE OF BOARD

Community Independent School District
Name of School District

Collin
County

043-918
Co. - Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) _____ approved _____ disapproved for the year ended June 30, 2019, at a meeting of the Board of Trustees of such school district on the 18th day of November 2019.

Signature of Board Secretary

Signature of Board President

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Independent Auditor's Report

To the Board of Trustees
Community Independent School District
Nevada, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Community Independent School District (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standard* 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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Community Independent School District as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* on pages 7 through 13 and the schedules of Teacher Retirement System pension and OPEB information on pages 58 through 65 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 Community Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements and the required TEA schedules 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 the Uniform Guidance, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, the required TEA schedules, 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 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, the 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 November 11, 2019 on our consideration of Community Independent School District's internal control over financial reporting and on our test 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 Community Independent School District's internal control over financial reporting and compliance.



Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

November 11, 2019

**COMMUNITY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019
(UNAUDITED)**

As management of Community Independent School District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2019. Please read this narrative in conjunction with the independent auditors' report on page 5, and the District's Basic Financial Statements that begin on page 16.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$12,353,321 (*net position*).
- The District's total net position increased by \$2,644,735 during the current fiscal year from the result of current year operations.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$41,399,381. Approximately 33.6% of this total amount, \$13,925,932, is unassigned and available for use within the District's fund balance policies.
- At the end of the current fiscal period, unassigned fund balance of the general fund was \$13,925,932 or 63.6% of the total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 16 and 17). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 18) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District.

The notes to the financial statements (starting on page 31) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 16. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the end of the year while the Statement of Activities includes all revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting (the basis used by private sector companies).

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

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

In the Statement of Net Position and the Statement of Activities, we divide the District into two kinds of activities:

- **Governmental activities**—Most of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.
- **Business-type activities**—The District does not have any programs in which it charges a fee to “customers” to help it cover all or most of the cost of services it provides. Thus, the District had no business-type activities during the current fiscal year.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 18 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received from the U.S. Department of Education. The District's administration establishes other funds to help it control and manage money for particular purposes (like campus activities). The District's governmental funds use the following accounting approach:

Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

The District uses a proprietary fund to report the activities for which it charges users (whether outside customers or other units of the District) using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. The internal service fund reports the District's self-insurance workers compensation program that provides services for the District's other programs and activities.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities. The District's fiduciary activity is reported in a separate Statement of Fiduciary Assets and Liabilities on page 27. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in this fund are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The analysis below presents both current and prior year data and discusses significant changes in the accounts. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Net position of the District's governmental activities increased from \$9,708,586 to \$12,353,321. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$(218,097) at June 30, 2019.

Table I
NET POSITION

	Governmental Activities 2019	Governmental Activities 2018
Current and other assets	\$ 47,943,991	\$ 59,671,062
Capital assets, net	<u>46,967,598</u>	<u>30,679,066</u>
Total assets	94,911,589	90,350,128
Deferred outflows of resources	<u>7,639,733</u>	<u>5,749,380</u>
Total assets and deferred outflows of resources	102,551,322	96,099,508
Long-term liabilities	79,827,737	79,473,893
Other liabilities	<u>6,436,460</u>	<u>2,731,470</u>
Total liabilities	86,264,197	82,205,363
Deferred inflows of resources	<u>3,933,804</u>	<u>4,185,559</u>
Total liabilities and deferred inflows of resources	<u>90,198,001</u>	<u>86,390,922</u>
Net Position:		
Net investments in capital assets	7,555,678	5,615,368
Restricted	5,015,740	4,849,558
Unrestricted	<u>(218,097)</u>	<u>(756,340)</u>
Total Net Position	<u><u>\$ 12,353,321</u></u>	<u><u>\$ 9,708,586</u></u>

Table II
CHANGES IN NET POSITION

	Governmental Activities 2019	Governmental Activities 2018
Revenues:		
Program Revenues:		
Charges for services	\$ 774,714	\$ 884,373
Operating grants and contributions	2,839,268	(679,281)
General Revenues:		
Maintenance and operations taxes	10,784,336	9,336,931
Debt service taxes	4,593,996	3,637,653
State aid	10,406,936	10,982,091
Grants and contributions not restricted	71,814	41,998
Investment earnings	1,002,105	396,206
Miscellaneous	55,016	46,863
Total Revenue	<u>30,528,185</u>	<u>24,646,834</u>
Expenses:		
Instruction, curriculum and media services	14,398,583	8,778,552
Instructional and school leadership	1,613,995	993,832
Student support services	2,174,750	1,459,132
Child nutrition	1,107,426	794,266
Extracurricular activities	1,426,292	1,188,913
General administration	1,340,428	956,372
Plant maintenance, security and data processing	3,216,069	2,782,589
Community services	29,286	22,168
Debt services	2,353,638	1,944,470
Facilities acquisition & construction	-	37,332
Payments for shared service arrangements	1,004,002	29,957
Other intergovernmental charges	118,981	82,827
Total Expenses	<u>28,783,450</u>	<u>19,070,410</u>
Increase (decrease) in net position	2,644,735	5,576,424
Net position at beginning of year	9,708,586	16,395,449
Prior period adjustments	-	(12,263,287)
Net position at end of year	<u>\$ 12,353,321</u>	<u>\$ 9,708,586</u>

At the end of the current fiscal year, the District reports a deficit balance in unrestricted net position, while reporting positive balances in net investment in capital assets and in restricted net position. The District's net position increased by \$2,644,735 during the current fiscal year.

The District showed an increase in revenue of 23.9%. Local tax revenues increased because of a 15.4% increase in taxable values. State Foundation revenue increased due to higher average daily attendance, offset by higher local tax collections. Operating grants and contributions are higher due to negative on-behalf support provided by the state in the prior fiscal year for the OPEB plan. Other items that affected the District's 2018-2019 activities were:

- Average daily attendance increased by 3.5%.
- The District's General Fund expenditures increased \$1.7 million. Much of this increase was due to higher personnel costs due to salary increases and new positions.
- The District's maintenance and operations (M&O) tax rate remained \$1.17 per \$100 valuation. The District's debt service tax rate increased from \$0.455 per \$100 valuation to \$0.50 per \$100 valuation.

The cost of all governmental activities for the current fiscal year was \$27,883,450. However, as shown in the Statement of Activities on page 17, the amount that our taxpayers ultimately financed for these activities through District taxes was only \$15,378,332 because some of the costs were paid by those who directly benefited from the programs (\$774,714) or by other governments and organizations that subsidized certain programs with grants and contributions (\$2,839,268) or by State equalization funding (\$10,406,936).

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 18) reported a combined fund balance of \$41,399,381, which is \$15,489,542 less than last year's total of \$56,888,923. Included in this year's total change in fund balance is an increase of \$1,213,759 in the District's General Fund, an increase of \$51,751 in the District's Debt Service Fund, and a decrease of \$16,766,294 in the Capital Projects Fund.

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in June 2018). The second category includes changes that the Board made during the year to reflect new information regarding revenue sources and expenditure needs. The principal amendments in this case were amendments to reflect additional revenues and personnel and other costs. The third category involves amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

The District's General Fund balance of \$13,934,422 reported on page 22 differs from the General Fund's budgetary fund balance of \$12,857,960 reported in the budgetary comparison schedule on page 26. This is principally due to cost savings achieved during the year based on the final amended budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2019, the District had \$46,967,598 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net increase of \$16,288,532, or 53.1 percent, more than last year.

Major capital asset additions during the year included construction in progress for a new high school, buses, and technology equipment.

More detailed information about the District's capital assets is presented in Note 4 to the basic financial statements.

Debt Administration

At year-end, the District had \$65,817,640 in long-term debt outstanding (including accreted interest on bonds) compared to \$68,425,439 last year—a decrease of \$2,607,799. The District's general obligation bond rating is AAA (as a result of guarantees of the Texas Permanent School Fund) according to national rating agencies.

More detailed information about the District's long-term liabilities is presented in Note 5 to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Total General Fund revenues are expected to be \$1.4 million higher due to higher state aid resulting from a new state funding formula passed by the state legislature in 2019.
- The District's General Fund expenditures are budgeted to increase approximately \$3.4 million. The largest increase is in personnel costs due to salary increases required under the new state funding formula and new positions required by higher enrollment.
- The maintenance and operations tax rate decreased \$1.17 per \$100 valuation to \$1.06835 per \$100 valuation due to tax rate compression required by the new state funding legislation. The debt service tax rate remained \$0.50 per \$100 valuation.
- The 2019-2020 General Fund budget is balanced with both revenues and expenditures of \$23.5 million. The Debt Service Fund budget has revenues higher than expenditures by \$1.0 million.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office at Community Independent School District, 611 N. FM 1138, Nevada, Texas 75173, (972) 843-8400.

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BASIC FINANCIAL STATEMENTS

COMMUNITY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019

EXHIBIT A-1

Data		Primary Government	
Control		Governmental	
Codes		Activities	
ASSETS			
1110	Cash and Cash Equivalents	\$	42,725,008
1220	Property Taxes - Delinquent		958,300
1230	Allowance for Uncollectible Taxes		(95,830)
1240	Due from Other Governments		4,348,023
1300	Inventories		2,419
1410	Prepayments		6,071
	Capital Assets:		
1510	Land		1,022,027
1520	Buildings, Net		26,038,358
1530	Furniture and Equipment, Net		1,429,018
1580	Construction in Progress		18,478,195
1000	Total Assets		94,911,589
DEFERRED OUTFLOWS OF RESOURCES			
1701	Deferred Charge on Bond Refundings		2,595,541
1705	Deferred Resource Outflows Related to TRS Pension		4,420,339
1706	Deferred Resource Outflows Related to TRS OPEB		623,853
1700	Total Deferred Outflows of Resources		7,639,733
LIABILITIES			
2110	Accounts Payable		3,783,193
2140	Accrued Interest Payable		825,110
2150	Payroll Deductions and Withholdings		16,955
2160	Accrued Wages Payable		1,662,654
2180	Due to Other Governments		1,971
2200	Accrued Expenses		134,079
2300	Unearned Revenue		12,498
	Noncurrent Liabilities:		
2501	Due Within One Year		1,692,345
2502	Due in More Than One Year		64,125,295
2540	Net Pension Liability (District's Share)		6,453,405
2545	Net OPEB Liability (District's Share)		7,556,692
2000	Total Liabilities		86,264,197
DEFERRED INFLOWS OF RESOURCES			
2605	Deferred Resource Inflows Related to TRS Pension		838,119
2606	Deferred Resource Inflows Related to TRS OPEB		3,095,685
2600	Total Deferred Inflows of Resources		3,933,804
NET POSITION			
3200	Net Investment in Capital Assets		7,555,678
3820	Restricted for Federal and State Programs		269,838
3850	Restricted for Debt Service		4,689,619
3880	Restricted for Scholarships		56,283
3900	Unrestricted		(218,097)
3000	Total Net Position	\$	12,353,321

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

COMMUNITY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

EXHIBIT B-1

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 13,404,310	\$ 101,089	\$ 982,284	\$ (12,320,937)
12 Instructional Resources and Media Services	196,342	-	6,919	(189,423)
13 Curriculum and Instructional Staff Development	797,931	-	131,276	(666,655)
21 Instructional Leadership	296,537	-	53,150	(243,387)
23 School Leadership	1,317,458	-	55,067	(1,262,391)
31 Guidance, Counseling and Evaluation Services	651,986	-	167,163	(484,823)
33 Health Services	226,568	-	11,121	(215,447)
34 Student (Pupil) Transportation	1,296,196	-	461,983	(834,213)
35 Food Services	1,107,426	397,220	663,164	(47,042)
36 Extracurricular Activities	1,426,292	262,666	29,441	(1,134,185)
41 General Administration	1,340,428	-	103,400	(1,237,028)
51 Facilities Maintenance and Operations	2,163,789	-	62,621	(2,101,168)
52 Security and Monitoring Services	334,874	-	14,209	(320,665)
53 Data Processing Services	717,406	-	12,875	(704,531)
61 Community Services	29,286	13,739	9,783	(5,764)
72 Debt Service - Interest on Long-Term Debt	2,351,388	-	74,812	(2,276,576)
73 Debt Service - Bond Issuance Cost and Fees	2,250	-	-	(2,250)
93 Payments Related to Shared Services Arrangements	104,002	-	-	(104,002)
99 Other Intergovernmental Charges	118,981	-	-	(118,981)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 27,883,450	\$ 774,714	\$ 2,839,268	(24,269,468)
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			10,784,336
DT	Property Taxes, Levied for Debt Service			4,593,996
SF	State Aid - Formula Grants			10,406,936
GC	Grants and Contributions not Restricted			71,814
IE	Investment Earnings			1,002,105
MI	Miscellaneous Local and Intermediate Revenue			55,016
TR	Total General Revenues			26,914,203
CN	Change in Net Position			2,644,735
NB	Net Position - Beginning			9,708,586
NE	Net Position--Ending			\$ 12,353,321

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

COMMUNITY INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 11,611,347	\$ 5,298,650	\$ 25,320,407
1220 Property Taxes - Delinquent	716,022	242,278	-
1230 Allowance for Uncollectible Taxes	(71,602)	(24,228)	-
1240 Due from Other Governments	4,213,450	-	-
1260 Due from Other Funds	-	-	-
1300 Inventories	2,419	-	-
1410 Prepayments	6,071	-	-
1000 Total Assets	<u>\$ 16,477,707</u>	<u>\$ 5,516,700</u>	<u>\$ 25,320,407</u>
LIABILITIES			
2110 Accounts Payable	\$ 143,198	\$ -	\$ 3,595,949
2150 Payroll Deductions and Withholdings Payable	16,955	-	-
2160 Accrued Wages Payable	1,616,694	-	-
2170 Due to Other Funds	731	-	-
2180 Due to Other Governments	-	1,971	-
2200 Accrued Expenditures	121,287	-	-
2300 Unearned Revenue	-	-	-
2000 Total Liabilities	<u>1,898,865</u>	<u>1,971</u>	<u>3,595,949</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	644,420	218,050	-
2600 Total Deferred Inflows of Resources	<u>644,420</u>	<u>218,050</u>	<u>-</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	2,419	-	-
3430 Prepaid Items	6,071	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	21,724,458
3480 Retirement of Long-Term Debt	-	5,296,679	-
3490 Other Restricted Fund Balance	-	-	-
Committed Fund Balance:			
3545 Other Committed Fund Balance	-	-	-
3600 Unassigned Fund Balance	13,925,932	-	-
3000 Total Fund Balances	<u>13,934,422</u>	<u>5,296,679</u>	<u>21,724,458</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 16,477,707</u>	<u>\$ 5,516,700</u>	<u>\$ 25,320,407</u>

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

		Total	
Other		Governmental	
Funds		Funds	
\$	384,356	\$	42,614,760
	-		958,300
	-		(95,830)
	134,573		4,348,023
	731		731
	-		2,419
	-		6,071
\$	519,660	\$	47,834,474
\$	4,588	\$	3,743,735
	-		16,955
	45,960		1,662,654
	-		731
	-		1,971
	12,792		134,079
	12,498		12,498
	75,838		5,572,623
	-		862,470
	-		862,470
	-		2,419
	-		6,071
	269,838		269,838
	-		21,724,458
	-		5,296,679
	56,283		56,283
	117,701		117,701
	-		13,925,932
	443,822		41,399,381
\$	519,660	\$	47,834,474

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COMMUNITY INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2019

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 41,399,381
1 The District uses an internal service fund to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	70,790
2 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements.	68,626,734
3 Accumulated depreciation is not reported in the fund financial statements.	(21,659,136)
4 Bonds payable have not been included in the fund financial statements.	(56,305,000)
5 Accreted interest payable on capital appreciation bonds has not been included in the fund financial statements.	(2,085,721)
6 Property tax revenue reported as unavailable revenue in the fund financial statements is recognized as revenue in the government-wide financial statements.	862,470
7 Interest on outstanding debt is accrued in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.	(825,110)
8 Bond premiums and discounts are not recognized in the fund financial statements.	(7,426,919)
9 Deferred charge on bond refundings is not recognized in the fund financial statements.	2,595,541
10 Included in the items related to government-wide long-term debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$6,453,405, Deferred Inflows of Resources related to TRS pension in the amount of \$838,119, and Deferred Outflows of Resources related to TRS pension in the amount of \$4,420,331. This results in a decrease in Net Position in the amount of \$2,871,185.	(2,871,185)
11 Included in the items related to government-wide long-term debt is the recognition of the District's proportionate share of the net Other Post-Employment Benefit (OPEB) liability required by GASB 75 in the amount of \$7,556,692, a Deferred Resource Inflow related to TRS OPEB in the amount of \$3,095,685, and a Deferred Resource Outflow related to TRS OPEB in the amount of \$623,853. This results in a net decrease in Net Position in the amount of \$10,028,524.	(10,028,524)
19 Net Assets of Governmental Activities	\$ 12,353,321

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

COMMUNITY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:				
5700	Total Local and Intermediate Sources	\$ 11,119,750	\$ 4,664,857	\$ 736,777
5800	State Program Revenues	11,760,847	74,812	-
5900	Federal Program Revenues	212,674	-	-
5020	Total Revenues	23,093,271	4,739,669	736,777
EXPENDITURES:				
Current:				
0011	Instruction	11,737,004	-	-
0012	Instructional Resources and Media Services	177,667	-	-
0013	Curriculum and Instructional Staff Development	675,993	-	-
0021	Instructional Leadership	246,475	-	-
0023	School Leadership	1,262,906	-	-
0031	Guidance, Counseling and Evaluation Services	492,435	-	-
0033	Health Services	219,629	-	-
0034	Student (Pupil) Transportation	1,292,163	-	-
0035	Food Services	-	-	-
0036	Extracurricular Activities	902,250	-	-
0041	General Administration	1,284,721	-	-
0051	Facilities Maintenance and Operations	2,129,849	-	-
0052	Security and Monitoring Services	314,833	-	-
0053	Data Processing Services	738,678	-	-
0061	Community Services	5,764	-	-
Debt Service:				
0071	Principal on Long-Term Debt	174,000	2,130,000	-
0072	Interest on Long-Term Debt	2,162	2,555,668	-
0073	Bond Issuance Cost and Fees	-	2,250	-
Capital Outlay:				
0081	Facilities Acquisition and Construction	-	-	17,503,071
Intergovernmental:				
0093	Payments to Fiscal Agent/Member Districts of SSA	104,002	-	-
0099	Other Intergovernmental Charges	118,981	-	-
6030	Total Expenditures	21,879,512	4,687,918	17,503,071
1200	Net Change in Fund Balances	1,213,759	51,751	(16,766,294)
0100	Fund Balance - July 1 (Beginning)	12,720,663	5,244,928	38,490,752
3000	Fund Balance - June 30 (Ending)	\$ 13,934,422	\$ 5,296,679	\$ 21,724,458

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

	Other Funds	Total Governmental Funds
\$	648,792	\$ 17,170,176
	185,899	12,021,558
	1,250,428	1,463,102
	2,085,119	30,654,836
	484,244	12,221,248
	-	177,667
	107,028	783,021
	45,132	291,607
	-	1,262,906
	143,644	636,079
	-	219,629
	-	1,292,163
	1,042,606	1,042,606
	227,701	1,129,951
	-	1,284,721
	-	2,129,849
	-	314,833
	-	738,678
	23,522	29,286
	-	2,304,000
	-	2,557,830
	-	2,250
	-	17,503,071
	-	104,002
	-	118,981
	2,073,877	46,144,378
	11,242	(15,489,542)
	432,580	56,888,923
\$	443,822	\$ 41,399,381

COMMUNITY INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ (15,489,542)
The District uses an internal service fund to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The net income (loss) of the internal service fund is reported with governmental activities in the government-wide financial statements. The net effect of this consolidation is to increase net position.	3,500
Current year capital asset additions are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The net effect of reclassifying the current year capital asset additions is to increase net position.	17,796,164
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position in the government-wide financial statements.	(1,507,632)
Current year long-term debt principal payments on bonds payable, loans payable, and payment of accreted interest are expenditures in the fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements.	2,379,000
Current year interest accretion on capital appreciation bonds is not reflected in the fund financial statements, but is shown as an increase in long-term liabilities in the government-wide financial statements.	(78,546)
Interest expense on outstanding debt is accrued in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due. The current year decrease in accrued interest payable decreases net position in the government-wide financial statements.	95,916
Revenues from property taxes are shown as unavailable in the fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when assessed, net of an allowance for uncollectible accounts, in the government-wide financial statements.	(41,935)
Bond premiums and discounts are not amortized in the fund financial statements, but are reported net of amortization in the government-wide financial statements.	307,345
Current year amortization of the deferred charge on bond refundings is not recognized in the fund financial statements, but is shown as a reduction of the deferred charge in the government-wide financial statements.	(193,273)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. TRS contributions made after the measurement date of 8/31/2018 caused the change in the ending net position to increase \$42,196. These contributions were replaced with the District's pension expense for the year of \$679,701, which caused a decrease in the change in net position. The net effect of these is to decrease the change in net position by \$637,505.	(637,505)

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

COMMUNITY INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

EXHIBIT C-4

The implementation of GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. TRS OPEB contributions made after the measurement date of 8/31/2018 but during the current fiscal year caused the ending change in net position to increase in the amount of \$8,248. These contributions were replaced with the District's OPEB expense for the year, which was \$2,995 benefit and also caused an increase in the change in net position. The net effect of these is to increase the change in net position by \$11,243.	11,243
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Change in Net Assets of Governmental Activities

<u>\$</u>	<u>2,644,735</u>
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The notes to the financial statements are an integral part of this statement.

COMMUNITY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 10,271,352	\$ 11,186,176	\$ 11,119,750	\$ (66,426)
5800 State Program Revenues	11,241,950	11,745,252	11,760,847	15,595
5900 Federal Program Revenues	40,000	163,668	212,674	49,006
5020 Total Revenues	21,553,302	23,095,096	23,093,271	(1,825)
EXPENDITURES:				
Current:				
0011 Instruction	11,200,237	11,930,704	11,737,004	193,700
0012 Instructional Resources and Media Services	233,537	258,537	177,667	80,870
0013 Curriculum and Instructional Staff Development	600,079	739,842	675,993	63,849
0021 Instructional Leadership	251,860	276,800	246,475	30,325
0023 School Leadership	1,413,245	1,410,360	1,262,906	147,454
0031 Guidance, Counseling and Evaluation Services	530,456	530,618	492,435	38,183
0033 Health Services	222,029	237,029	219,629	17,400
0034 Student (Pupil) Transportation	1,261,774	1,436,774	1,292,163	144,611
0036 Extracurricular Activities	915,518	965,518	902,250	63,268
0041 General Administration	1,206,438	1,290,698	1,284,721	5,977
0051 Facilities Maintenance and Operations	2,174,901	2,252,601	2,129,849	122,752
0052 Security and Monitoring Services	339,205	336,205	314,833	21,372
0053 Data Processing Services	836,035	864,125	738,678	125,447
0061 Community Services	10,713	15,713	5,764	9,949
Debt Service:				
0071 Principal on Long-Term Debt	174,000	174,000	174,000	-
0072 Interest on Long-Term Debt	3,275	3,275	2,162	1,113
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of	90,000	115,000	104,002	10,998
0099 Other Intergovernmental Charges	90,000	120,000	118,981	1,019
6030 Total Expenditures	21,553,302	22,957,799	21,879,512	1,078,287
1200 Net Change in Fund Balances	-	137,297	1,213,759	1,076,462
0100 Fund Balance - July 1 (Beginning)	12,720,663	12,720,663	12,720,663	-
3000 Fund Balance - June 30 (Ending)	\$ 12,720,663	\$ 12,857,960	\$ 13,934,422	\$ 1,076,462

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

COMMUNITY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019

	Governmental Activities -
	Internal Service Fund
<hr/>	
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 110,248
Total Assets	<u>110,248</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	<u>39,458</u>
Total Liabilities	<u>39,458</u>
NET POSITION	
Unrestricted Net Position	<u>70,790</u>
Total Net Position	<u><u>\$ 70,790</u></u>

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

COMMUNITY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Governmental Activities -
	Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 3,500
Total Operating Revenues	3,500
Operating Income	3,500
Total Net Position - July 1 (Beginning)	67,290
Total Net Position - June 30 (Ending)	\$ 70,790

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

COMMUNITY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Payments for Insurance Claims and Expenses	\$ (3,317)
Net Decrease in Cash and Cash Equivalents	(3,317)
Cash and Cash Equivalents at Beginning of Year	113,565
Cash and Cash Equivalents at End of Year	\$ 110,248
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Income:	\$ 3,500
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Accounts Payable	(6,817)
Net Cash Used for Operating Activities	\$ (3,317)

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

COMMUNITY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2019

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 135,592
Total Assets	<u>\$ 135,592</u>
LIABILITIES	
Due to Student Groups	\$ 135,592
Total Liabilities	<u>\$ 135,592</u>

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

COMMUNITY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Community Independent School District's (the "District") combined financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide (FAR). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

A. REPORTING ENTITY

The Board of Trustees, a seven member group, has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of the District. The board of trustees is elected by the public. The trustees as a body corporate have the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (Agency) or to the State Board of Education are reserved for the trustees, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the trustees. The District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards.

The District's basic financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

Based on the aforementioned criteria, Community Independent School District has no component units.

B. BASIS OF PRESENTATION

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support. The District had no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

COMMUNITY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

Fund Financial Statements:

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The District has presented the following major governmental funds:

1. **General Fund** - This fund is established to account for resources financing the fundamental operations of the District, in partnership with the community, in enabling and motivating students to reach their full potential. All revenues and expenditures not required to be accounted for in other funds are included here. This is a budgeted fund and any fund balances are considered resources available for current operations. Fund balances may be appropriated by the Board of Trustees to implement its responsibilities.
2. **Debt Service Fund** - This fund is established to account for payment of principal and interest on long-term general obligation debt and other long-term debts for which a tax has been dedicated. This is a budgeted fund. Any unused debt service fund balances are transferred to the General Fund after all of the related debt obligations have been met.
3. **Capital Projects Fund** - This fund is established to account for proceeds, from the sale of bonds and other resources to be used for Board authorized acquisition, construction, or renovation, as well as, furnishings and equipping of major capital facilities. Upon completion of a project, any unused bond proceeds are transferred to the Debt Service Fund and are used to retire related bond principal.

Additionally, the District reports the following fund types:

1. **Internal Service Fund** - The District utilizes an Internal Service Fund to account for revenues and expenses related to services provided to parties inside the District on a cost reimbursement basis. This fund facilitates distribution of support costs to the users of support services. The District has an internal service fund for its workers compensation plan.
2. **Special Revenue Funds** - These funds are established to account for federally financed or expenditures legally restricted for specified purposes. In many special revenue funds, any unused balances are returned to the grantor at the close of specified project periods. For funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.
3. **Agency Funds** - These custodial funds are used to account for activities of student groups and other organizational activities requiring clearing accounts. Financial resources for the Agency funds are recorded as assets and liabilities; therefore, these funds do not include revenues and expenditures and have no fund equity. If any unused resources are declared surplus by the student groups, they are transferred to the General Fund with a recommendation to the Board for an appropriate utilization through a budgeted program.

COMMUNITY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and deferred outflows of resources; and liabilities (whether current or non-current) and deferred inflows of resources are included in the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

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.

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

The revenues susceptible to accrual are property taxes, charges for services, interest income and intergovernmental revenues. All other Governmental Fund Type revenues are recognized when received.

Revenues from state and federal grants are recognized as earned when the related program expenditures are incurred. Funds received but unearned are reflected as unearned revenues, and funds expended but not yet received are shown as receivables.

COMMUNITY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

Revenue from investments, including governmental external investment pool, is based upon fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Most investments are reported at amortized cost when the investments have remaining maturities of one year or less at time of purchase. External investment pool are permitted to report short-term debt investments at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer, or other factors. For that purpose, a pool's short-term investments are those with remaining maturities of up to ninety days.

In accordance with the FAR, the District has adopted and installed an accounting system which exceeds the minimum requirements prescribed by the 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 Accounting Code Section of the FAR.

D. BUDGETARY CONTROL

Formal budgetary accounting is employed for all required Governmental Fund Types, as outlined in TEA's FAR module, and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles. The budget is prepared and controlled at the function level within each organization to which responsibility for controlling operations is assigned.

The official school budget is prepared for adoption for required Governmental Fund Types prior to June 20 of the preceding fiscal year for the subsequent fiscal year beginning July 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given. The budget is prepared by fund, function, object, and organization. The budget is controlled at the organizational level by the appropriate department head or campus principal within Board allocations. Therefore, organizations may transfer appropriations as necessary without the approval of the board unless the intent is to cross fund, function or increase the overall budget allocations. Control of appropriations by the Board of Trustees is maintained within Fund Groups at the function code level and revenue object code level.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, the Debt Service Fund and the Food Service Fund. The other special revenue funds adopt project-length budgets which do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting. The budget is amended throughout the year by the Board of Trustees. Such amendments are reflected in the official minutes of the Board.

A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

June 30, 2019	
<u>Fund Balance</u>	
Appropriated Budget Funds - Food Service Special Revenue Fund	\$269,838
Nonappropriated Budget Funds	<u>173,984</u>
All Special Revenue Funds	<u>\$443,822</u>

COMMUNITY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

E. ENCUMBRANCE ACCOUNTING

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent expenditure for the period, only a commitment to expend resources. Appropriations lapse at June 30 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget. The District had no material encumbrances outstanding at June 30, 2019.

F. PREPAYMENTS

Prepayments represent payments made by the District in the current year to provide services occurring in the subsequent fiscal year.

G. INVENTORIES

The consumption method is used to account for inventories of paper and other supplies. Under this method, these items are carried in an inventory account of the respective fund at cost, using the first-in, first-out method of accounting and are subsequently charged to expenditures when consumed.

H. INTERFUND RECEIVABLES AND PAYABLES

Short-term amounts owed between funds are classified as "Due to/from other funds". Interfund loans are classified as "Advances to/from other funds" and are offset by a fund balance reserve account.

I. CAPITAL ASSETS

Capital assets, which includes property, plant, equipment, and infrastructure assets, are reported in the applicable governmental activities columns in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$5,000 or more and over one-year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings and Improvements	15-40 Years
Furniture and Equipment	5-20 Years

J. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows and inflows of resources are reported in the statement of financial position as described below:

A *deferred outflow of resources* is a consumption of a government's net assets (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The District has three items that qualify for reporting in this category:

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Deferred outflows of resources for refunding - Reported in the government-wide statement of net position, the deferred charge on bond refundings 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. The amount of deferred outflows reported in the governmental activities for the deferred charge on bond refundings at June 30, 2019 was \$2,595,541.

Deferred outflows of resources for pension - Reported in the government-wide financial 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 differences between expected and actual actuarial experiences. 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 other 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 which is currently approximately 6.7 years.

A deferred outflow for pension expense also results from payments made to the TRS pension plan by the District after the plan's measurement date. The total amount of deferred outflows reported in the governmental activities for deferred pension expenses at June 30, 2019 was \$4,420,339.

Deferred outflows of resources for OPEB- Reported in the government-wide financial statement of net position, this deferred outflow results from OPEB plan contributions made after the measurement date of the net OPEB liability and the results of differences between expected and actual investment earnings and changes in proportionate share. The deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year. The other OPEB related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the OPEB plan which is currently approximately 8.6 years. The amount of deferred outflows reported for deferred OPEB expense at June 30, 2019 was \$623,853.

A deferred inflow of resources is an acquisition of a government's net assets (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The District has three 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. The District reported property taxes that are unavailable as deferred inflows of resources in the fund financial statements. The amount of deferred inflows of resources reported in the governmental funds at June 30, 2019 was \$862,470.

Deferred inflows of resources for pension - Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between projected and actual earnings on pension plan investments. These amounts will be amortized over a closed five year period. In fiscal year 2019, the District reported deferred inflows of resources for pensions in the governmental activities in the amount of \$838,119.

Deferred inflows of resources for OPEB - Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between expected and actual experience and from changes in assumptions. These amounts will be amortized over the average expected remaining service life (AERSL) of all members (8.6 years for the 2018 measurement year). In fiscal year 2019, the District reported deferred inflows of resources for OPEB in the governmental activities in the amount of \$3,095,685.

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K. COMPENSATED ABSENCES

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

L. CASH EQUIVALENTS

Investments are considered to be cash equivalents if they are highly liquid and have a maturity of three months or less when purchased.

M. NET POSITION

Net position represents the difference between assets and deferred outflows of resources; and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciations, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

When both restricted and unrestricted net position is available, restricted net position is expended before unrestricted net position if such use is consistent with the restricted purpose.

N. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expenses when 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.

O. RISK MANAGEMENT

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

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P. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2. FUND BALANCES

The District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

Fund Balance Classification: The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has classified inventories and prepaid items as being nonspendable as these items are not expected to be converted to cash.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the District's bonded debt and are restricted through debt covenants. Capital projects resources are restricted for future capital outlay. Food Service fund balance and Scholarship fund balance are restricted because the use is restricted pursuant to the mandates of the respective grants and donors
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's Board of Trustees. The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This can also be done through adoption and amendment of the budget. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Board of Trustees has committed resources as of June 30, 2019 for campus activities.
- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Trustees or through the Board of Trustees delegating this responsibility to other individuals in the District. Under the District's adopted policy, only the Board of Trustees may assign amounts for specific purposes. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The District has not assigned any fund balance as of June 30, 2019.
- Unassigned: This classification includes all amounts not included in other spendable classifications, including the residual fund balance of the General Fund.

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

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The details of the fund balances are included in the Governmental Funds Balance Sheet (page 16) and are described below:

General Fund

The General Fund has unassigned fund balance of \$13,925,932 at June 30, 2019. Inventories of \$2,419 and prepaid items of \$6,071 are considered nonspendable fund balance.

Debt Service Fund

The Debt Service Fund has restricted funds of \$5,296,679 at June 30, 2019 consisting primarily of property tax collections that are restricted for debt service payments on bonded debt.

Capital Projects Fund

The Capital Projects Fund has restricted funds of \$21,724,458 at June 30, 2019 consisting primarily of remaining bond issuance proceeds that are restricted for construction and other capital outlay expenditures.

Other Funds

The fund balance of \$117,701 of the Campus Activity Fund (a special revenue fund) is shown as committed due to Board policy committing those funds to campus activities. The fund balance of \$269,838 in the Food Service Fund and \$56,283 in the Scholarship Fund (special revenue funds) are shown as restricted for those respective programs.

NOTE 3. DEPOSITS AND INVESTMENTS

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

1. Cash Deposits:

At June 30, 2019, the carrying amount of the District's deposit checking accounts and interest-bearing demand accounts was \$29,888,764 and the bank balance was \$32,888,083. The District's cash deposits at June 30, 2019 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name. District cash deposits were fully covered by FDIC insurance or by pledged collateral throughout the fiscal year.

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2. Investments:

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy addresses the following risks:

- a. Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2019, the District's cash deposits totaled \$32,888,083. This entire amount was either collateralized with securities held by the District's agent or covered by FDIC insurance. Thus, the District's deposits are not exposed to custodial credit risk.
- b. Custodial Credit Risk - Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2019, the District held investments in one public funds investment pool. Investments in external investment pools are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.
- c. Credit Risk: This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for the investment pool at year-end was AAAm (Standard & Poor's).
- d. Interest Rate Risk: This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for each investment pool is less than 90 days.
- e. Foreign Currency Risk: This is the risk that exchange rates will adversely affect the fair value of an investment. At June 30, 2019, the District was not exposed to foreign currency risk.
- f. Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of the District's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. The District's investments in a public funds investment pool is not subject to the concentration risk.

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

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

The District's investments at June 30, 2019, are shown below:

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>
TexPool Investment Pool	<u>\$13,129,462</u>	<u>\$13,129,462</u>
Total	<u>\$13,129,462</u>	<u>\$13,129,462</u>

Fair Value Measurements

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgement and considers factors specific to each asset or liability.

The District's investment in a Pool is not required to be measured at fair value but is measured at amortized cost.

COMMUNITY INDEPENDENT SCHOOL DISTRICT
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NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows:

	Balance July 1	Additions/ Completions	Retirement/ Adjustments	Balance June 30
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 1,022,027	\$ -	\$ -	\$ 1,022,027
Construction in progress	973,448	17,504,747	-	18,478,195
Total capital assets not being depreciated	1,995,475	17,504,747	-	19,500,222
Capital assets, being depreciated				
Buildings and improvements	44,333,131	-	-	44,333,131
Furniture and equipment	1,741,075	95,953	-	1,837,028
Vehicles	2,760,889	195,464	-	2,956,353
Total capital assets being depreciated	48,835,095	291,417	-	49,126,512
Less accumulated depreciation for:				
Buildings and improvements	(17,088,347)	(1,206,426)	-	(18,294,773)
Furniture and equipment	(1,118,209)	(118,640)	-	(1,236,849)
Vehicles	(1,944,948)	(182,566)	-	(2,127,514)
Total accumulated depreciation	(20,151,504)	(1,507,632)	-	(21,659,136)
Total capital assets, being depreciated, net	28,683,591	(1,216,215)	-	27,467,376
Governmental activities capital assets, net	\$ 30,679,066	\$ 16,288,532	\$ -	\$ 46,967,598

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

Governmental activities:	
Instruction	\$ 865,015
Instructional Resources & Media Services	14,420
School Leadership	20,692
Guidance, Counseling & Evaluation Services	2,977
Health Services	100
Student Transportation	172,135
Food Services	48,577
Cocurricular/Extracurricular Activities	278,238
General Administration	26,798
Plant Maintenance and Operations	611
Security & Monitoring Services	11,305
Data Processing Services	66,764
Total depreciation expense-Governmental activities	<u>\$1,507,632</u>

NOTE 5. LONG-TERM DEBT

Long-term debt includes par bonds, capital appreciation (deep discount) serial bonds, and loans payable. All long-term debt represents transactions in the District's governmental activities.

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

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The following is a summary of the changes in the District's Long-term Debt for the year ended June 30, 2019:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Outstanding 7/1/2018</u>	<u>Issued Current Year</u>	<u>Interest Accretion</u>	<u>Retired/ Refunded</u>	<u>Amounts Outstanding 6/30/2019</u>	<u>Due Within One Year</u>
Bonded Indebtedness:							
Unlimited Tax Refunding Bonds, Series 2013	2.9862%	\$ 630,000	\$ -	\$ -	\$ -	\$ 630,000	\$ -
Unlimited Tax Refunding Bonds, Series 2015	2.6847%	8,430,000	-	-	310,000	8,120,000	365,000
Unlimited Tax Refunding Bonds, Series 2016	2.8653%	8,225,000	-	-	270,000	7,955,000	245,000
Unlimited Tax Refunding Bonds, Series 2016A	1.6143%	875,000	-	-	5,000	870,000	75,000
Unlimited Tax Refunding Bonds, Series 2017	2.1014%	5,280,000	-	-	545,000	4,735,000	535,000
Unlimited Tax School Building Bonds, Series 2018	1.53-3.1%	<u>34,995,000</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>	<u>33,995,000</u>	<u>165,000</u>
Total Bonded Indebtedness:		<u>58,435,000</u>	<u>-</u>	<u>-</u>	<u>2,130,000</u>	<u>56,305,000</u>	<u>1,385,000</u>
Other Direct Obligations:							
Accreted Interest -							
Capital Appreciation Bonds		2,082,175	-	78,546	75,000	2,085,721	-
Bond Premiums /Discounts		7,734,264	-	-	307,345	7,426,919	307,345
Maintenance Tax Note 2014		<u>174,000</u>	<u>-</u>	<u>-</u>	<u>174,000</u>	<u>-</u>	<u>-</u>
Total Other Obligations:		<u>9,990,439</u>	<u>-</u>	<u>78,546</u>	<u>556,345</u>	<u>9,512,640</u>	<u>307,345</u>
Total Obligations of District		<u>\$ 68,425,439</u>	<u>\$ -</u>	<u>\$ 78,546</u>	<u>\$ 2,686,345</u>	<u>\$ 65,817,640</u>	<u>\$1,692,345</u>

Presented below is a summary of general obligation bond requirements to maturity:

<u>Year Ended June 30,</u>	<u>General Obligation</u>		<u>Total Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2020	\$ 1,385,000	\$ 2,396,825	\$ 3,781,825
2021	1,455,000	2,345,300	3,800,300
2022	1,515,000	2,291,550	3,806,550
2023	1,570,000	2,231,875	3,801,875
2024	1,755,000	2,166,125	3,921,125
2025-2029	6,790,000	11,765,275	18,555,275
2030-2034	8,740,000	9,823,291	18,563,291
2035-2039	11,920,000	6,655,753	18,575,753
2040-2044	10,585,000	4,288,250	14,873,250
2045-2048	<u>10,590,000</u>	<u>1,357,000</u>	<u>11,947,000</u>
	<u>\$56,305,000</u>	<u>\$45,321,244</u>	<u>\$101,626,244</u>

The 2013 bond series includes Capital Appreciation Bonds. No interest is paid on these bonds prior to maturity. The bonds mature variously between 2025 and 2033. Interest accrues on these bonds each semi-annually even though the interest is not paid until maturity.

General Obligation Bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the District. General Obligation Bonds require the District to compute, at the time taxes are levied, the rate of tax required to provide (in each year bonds are outstanding) a fund to pay interest and principal at maturity. The District is in compliance with this requirement.

There are a number of limitations and restrictions contained in the various general obligation bonds indentures. The District is in compliance with all significant limitations and restrictions at June 30, 2019.

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NOTE 6. DEFERRED CHARGES ON BOND REFUNDINGS

The District's deferred charges on bond refundings are as follows:

Balance – June 30, 2018	\$2,788,814
Current year amortization	<u>(193,273)</u>
Balance – June 30, 2019	<u>\$2,595,541</u>

NOTE 7. PROPERTY TAXES

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 on the assessed (appraised) value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll upon which the levy for the 2018-19 fiscal year was based was \$929,150,928. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to both penalty and interest charges plus 15 % delinquent collection fees for attorney costs.

The tax rates assessed for the year ended June 30, 2019, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.17 and \$0.50 per \$100 valuation, respectively, for a total of \$1.67 per \$ 100 valuation.

Current tax collections for the year ended June 30, 2019 were 98.0% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of June 30, 2019, property taxes receivable, net of estimated uncollectible taxes, totaled \$644,420 and \$218,050 for the General and Debt Service Funds, respectively.

Property taxes are recorded as receivables and unavailable revenue at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes are collected.

NOTE 8. INTERFUND BALANCES AND ACTIVITIES

Interfund receivables and payables at June 30, 2019 represented short-term advances between funds. These amounts are expected to be repaid in less than one year from June 30, 2019.

Fund	Due from Other Funds	Due to Other Funds
Major Governmental Funds:		
General Fund:		
Non-Major Special Revenue Fund	\$ -	\$ 731
Total Major Governmental Funds	<u>-</u>	<u>731</u>
Nonmajor Governmental Funds:		
Special Revenue Funds:		
General Fund	<u>731</u>	<u>-</u>
Total Nonmajor Governmental Funds	<u>731</u>	<u>-</u>
Total	<u>\$ 731</u>	<u>\$ 731</u>

There were no transfers between funds during the 2019 fiscal year.

COMMUNITY INDEPENDENT SCHOOL DISTRICT
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NOTE 9. DEFINED BENEFIT PENSION PLAN

Plan Description. Community Independent School District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). 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.texas.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

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

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

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

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	<u>Contribution Rates</u>	
	<u>2018</u>	<u>2019</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Community ISD FY2019 Employer Contributions	\$	439,029
Community ISD FY2019 Member Contributions	\$	1,125,460
Community ISD 2019 NECE On-Behalf Contributions	\$	718,613

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

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers 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 source or a privately sponsored source, from non-educational and general, or local funds.

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

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

Actuarial Assumptions. The total pension liability in the August 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.907%
Long-term expected Investment Rate of Return	7.25%
Inflation	2.30%
Salary Increases Including Inflation	3.05% to 9.50%
Payroll Growth Rate	2.50%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

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

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

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
Global Equity			
U.S.	18%	5.7%	1.0%
Non-U.S. Developed	13%	6.9%	0.9%
Emerging Markets	9%	8.9%	0.8%
Directional Hedge Funds	4%	3.5%	0.1%
Private Equity	13%	10.2%	1.3%
Stable Value			
U.S. Treasuries	11%	1.1%	0.1%
Absolute Return	0%	-	-
Stable Value Hedge Funds	4%	3.1%	0.1%
Cash	1%	-0.3%	-
Real Return			
Global Inflation Linked Bonds	3%	0.7%	-
Real Assets	14%	5.2%	0.7%
Energy and Natural Resources	5%	7.5%	0.4%
Commodities	0%	-	-
Risk Parity			
Risk Parity	5%	3.7%	0.2%
Inflation Expectation			2.3%
Volatility Drag	0%		-0.8%
Total	100%		7.2%

* The Expected Contribution 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 (6.907%) in measuring the Net Pension Liability.

	1% Decrease in Discount Rate (5.907%)	Discount Rate (6.907%)	1% Increase in Discount Rate (7.907%)
Community ISD's proportionate share of the net pension liability:	\$ 9,739,736	\$ 6,453,405	\$ 3,792,925

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Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2019, Community Independent School District reported a liability of \$6,453,405 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Community Independent School District. The amount recognized by Community Independent School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Community Independent School District were as follows:

District's Proportionate share of the collective net pension liability	\$ 6,453,405
State's proportionate share that is associated with the District	<u>10,639,868</u>
Total	<u>\$17,093,273</u>

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

At August 31, 2018 the employer's proportion of the collective net pension liability was 0.0117244%, a decrease of 4.1% from its proportionate share of 0.0122206% at August 31, 2017.

Changes Since the Prior Actuarial Valuation – The following were changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

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

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

For the year ended June 30, 2019, Community Independent School District recognized pension expense of \$650,784 and revenue of \$650,784 for support provided by the State.

At June 30, 2019, Community Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 40,225	\$ 158,341
Changes in actuarial assumptions	2,326,763	72,711
Difference between projected and actual investment earnings	335,379	457,828
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,341,072	149,239
Contributions paid to TRS subsequent to the measurement date	376,900	-
Total	\$4,420,339	\$ 838,119

\$376,900 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Pension Expense Amount
2020	\$ 849,271
2021	591,588
2022	520,673
2023	563,969
2024	441,858
Thereafter	237,961

NOTE 10. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

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

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

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

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

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

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

* or surviving spouse

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .75% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	<u>Contribution Rates</u>	
	<u>2018</u>	<u>2019</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
Community ISD FY19 Employer Contributions	\$115,357	
Community ISD FY19 Member Contributions	\$ 95,028	
Community ISD 2019 NECE On-behalf Contributions	\$177,244	

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$182.6 million in fiscal year 2018. The 85th Texas Legislative House Bill 30 provided an additional \$212 million one-time, supplemental funding for the FY 2018-19 biennium to continue to support the program. This was also received in FY 2018 bringing the total appropriations received in fiscal year 2018 to \$394.6 million.

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

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

General Inflation
Wage Inflation
Expected Payroll Growth

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.69%
Aging Factors	Based on specific plan experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim costs
Payroll Growth Rate	2.50%
Projected Salary Increases	3.05% to 9.50%, including inflation
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad hoc post-employment benefit changes	None

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

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

	1% Decrease in Discount Rate (2.69%)	Current Single Discount Rate (3.69%)	1% Increase in Discount Rate (4.69%)
District’s proportionate share of the Net OPEB Liability:	\$8,995,059	\$7,556,692	\$6,418,850

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

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	1% Decrease (7.5%)	Current Healthcare Cost Trend Rate (8.5%)	1% Increase (9.5%)
District's proportionate share of the Net OPEB Liability:	\$6,275,956	\$7,556,692	\$9,243,450

OPEB Liabilities, OPEB Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At June 30, 2019, the District reported a liability of \$7,556,692 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District.

The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's Proportionate share of the collective Net OPEB Liability	\$ 7,556,692
State's proportionate share that is associated with the District	<u>11,622,982</u>
Total	<u>\$19,179,674</u>

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

At August 31, 2018 the employer's proportion of the collective Net OPEB Liability was 0.0151343%, a decrease of 7.8% compared to the August 31, 2017 proportionate share of 0.0164212%.

Changes Since the Prior Actuarial Valuation – The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period:

- The total OPEB liability as of August 31, 2018 was developed using the roll forward method of the August 31, 2017 valuation.
- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the total OPEB liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the total OPEB liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the total OPEB liability.
- The discount rate changed from 3.42 percent as of August 31, 2017 to 3.69 percent, as of August 31, 2018. This change lowered the total OPEB liability \$2.3 billion.

The following are changes of benefit terms that affected measurement of the Total OPEB liability during the measurement period. The 85th Legislature, Regular Session, passed the following statutory changes in House Bill 3976 which became effective on September 1, 2017:

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

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- Allowed the System to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period.
- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums.

For the year ended June 30, 2019, the District recognized OPEB expense of \$160,357 and revenue of \$160,357 for support provided by the State.

At June 30, 2019, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 401,006	\$ 119,256
Changes in actuarial assumptions	126,101	2,270,352
Difference between projected and actual investment earnings	1,322	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	28	706,077
Contributions paid to TRS subsequent to the measurement date	95,396	-
Total	\$ 623,853	\$3,095,685

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

Year ended June 30:	OPEB Expense Amount
2020	\$ (385,244)
2021	(385,244)
2022	(385,244)
2023	(385,494)
2024	(385,637)
Thereafter	(640,365)

NOTE 11. MEDICARE PART D

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 drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended June 30, 2019, 2018 and 2017, the subsidy payments received by TRS-Care on behalf of the District were \$51,232, \$38,967 and \$37,348, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statement of the District.

NOTE 12. HEALTH CARE

During the year ended June 30, 2019, employees of Community Independent School District were covered by a health insurance plan (the Plan). The District contributed \$300 per month per employee to the Plan and employees, at their option, authorized payroll withholdings to pay any additional contribution and contributions for dependents. All contributions were paid to a fully insured plan.

COMMUNITY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13. WORKERS COMPENSATION

During the year ended June 30, 2019, the District met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members' injured employees.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$2.0 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2018, the Fund carries a discounted reserve of \$48,977,531 for future development on reported claims and claims that have been incurred but not yet reported. For the year-ended June 30, 2019, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions and reimbursable aggregate deductibles.

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

Prior to September 1, 2016 the District participated in the East Texas Educational Insurance Association Workers Compensation Self-Insurance Joint Fund. The District was partially self-funded for workers compensation claims. The District will be responsible for pool claims throughout the claim liability period of the pool.

Changes in workers compensation claims liability amounts in fiscal year 2019 and 2018 are presented below:

Fiscal Year	July 1 Claims Liability	Claims and Changes in Estimates	Claims Payments	June 30 Claims Liability
2019	\$46,275	\$ (3,500)	\$ 3,317	\$39,458
2018	89,477	(35,958)	7,244	46,275

NOTE 14. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation, Per Capita, Existing Debt Allotment, and Instruction Facilities Allotment Programs. Amounts due from federal and state governments as of June 30, 2019, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

Fund	State Entitlements	Federal Grants	Local Governments	Total
General	\$4,213,450	\$ -	\$ -	\$4,213,450
Special Revenue	29,119	105,454	-	134,573
Debt Service	-	-	-	-
Total	<u>\$4,242,569</u>	<u>\$ 105,454</u>	<u>\$ -</u>	<u>\$4,348,023</u>

COMMUNITY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 15. LITIGATION AND CONTINGENCIES

The District participates in numerous state and Federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at June 30, 2019 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 16. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

During the year ended June 30, 2019, revenues from local and intermediate sources in the fund financial statements consisted of the following:

	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total
Property Taxes	\$10,669,740	\$ -	\$4,544,621	\$ -	\$15,214,361
Food Sales	-	397,220	-	-	397,220
Investment Income	191,918	6,128	67,282	736,777	1,002,105
Penalties, interest and other tax related income	152,950	-	52,954	-	205,904
Co-curricular student activities	45,818	230,587	-	-	276,405
Other	59,324	14,857	-	-	74,181
Total	<u>\$11,119,750</u>	<u>\$648,792</u>	<u>\$4,664,857</u>	<u>\$736,777</u>	<u>\$17,170,176</u>

NOTE 17. UNEARNED REVENUE

Unearned revenue at June 30, 2019 consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Total
Grant Funds	\$ -	\$ 334	\$ -	\$ 334
National Breakfast & Lunch Program	-	12,164	-	12,164
	<u>\$ -</u>	<u>\$12,498</u>	<u>\$ -</u>	<u>\$12,498</u>

NOTE 18. CONSTRUCTION COMMITMENTS

As of June 30, 2019, the District had entered into contracts for various construction and renovation projects totaling \$58.4 million. At June 30, 2019, there was \$43.3 million remaining costs under these contracts. These projects are to be paid from the Capital Projects Fund.

NOTE 19. SUBSEQUENT EVENT

The District issued Unlimited Tax School Building Bonds, Series 2019 on September 10, 2019. The bonds issued have a par value of \$34,370,000. The bond issue included bond premium of \$6,001,189 and issuance costs of \$368,274. \$40.0 million of the bond issue proceeds were deposited into the District's Capital Projects Fund to be used for ongoing construction and renovation projects. The new bond series provides for debt service payments of \$807,771 during the fiscal year ending June 30, 2020.

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REQUIRED SUPPLEMENTARY INFORMATION

COMMUNITY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED JUNE 30, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016
District's Proportion of the Net Pension Liability (Asset)	0.0117244%	0.0122206%	0.0100994%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 6,453,405	\$ 3,907,490	\$ 3,816,419
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	10,639,868	6,046,192	7,027,794
Total	<u>\$ 17,093,273</u>	<u>\$ 9,953,682</u>	<u>\$ 10,844,213</u>
District's Covered Payroll	\$ 13,224,352	\$ 12,453,890	\$ 10,909,572
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	48.80%	31.38%	34.98%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.74%	82.17%	78.00%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for 2015.

Note: In accordance with GASB 68, Paragraph 138, only five years of data are presented this reporting period. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

<u>FY 2016</u>		<u>FY 2015</u>	
<u>Plan Year 2015</u>		<u>Plan Year 2014</u>	
	0.0084557%		0.0047134%
\$	2,988,977	\$	1,259,014
	5,712,917		4,756,952
\$	8,701,894	\$	6,015,966
\$	9,003,688	\$	8,304,679
	33.20%		15.16%
	78.43%		83.25%

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

	2019	2018	2017
Contractually Required Contribution	\$ 439,029	\$ 397,657	\$ 387,819
Contribution in Relation to the Contractually Required Contribution	439,029	397,657	(387,819)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 14,616,361	\$ 13,093,865	\$ 12,133,612
Contributions as a Percentage of Covered Payroll	3.00%	3.04%	3.20%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding years.

Note: In accordance with GASB 68, Paragraph 138, the years of data presented this reporting period are those for which data is available. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

<u>2016</u>		<u>2015</u>	
\$	309,637	\$	211,689
	(309,637)		(211,689)
<u>\$ -</u>		<u>\$ -</u>	
<u>\$ 10,655,503</u>		<u>\$ 8,824,280</u>	
	2.91%		2.40%

COMMUNITY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED JUNE 30, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.0151343%	0.0164212%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 7,556,692	\$ 7,140,964
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	11,622,982	9,935,331
Total	<u>\$ 19,179,674</u>	<u>\$ 17,076,295</u>
District's Covered Payroll	\$ 13,224,352	\$ 12,453,890
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	57.14%	57.34%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.57%	0.91%

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

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

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

	2019	2018
Contractually Required Contribution	\$ 115,357	\$ 99,085
Contribution in Relation to the Contractually Required Contribution	115,357	99,085
Contribution Deficiency (Excess)	\$ -0-	\$ -0-
District's Covered Payroll	\$ 14,616,361	\$ 13,093,865
Contributions as a Percentage of Covered Payroll	0.79%	0.76%

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

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

COMMUNITY INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019

PENSION LIABILITY:

Changes of benefit terms:

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

Changes of assumptions:

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

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

OPEB LIABILITY:

Changes of benefit terms:

The following are changes of benefit terms that affected measurement of the Total OPEB liability during the measurement period. The 85th Legislature, Regular Session, passed the following statutory changes in House Bill 3976 which became effective on September 1, 2017:

- Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and proves a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.
- Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants.
- Allowed the System to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period.
- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums.

COMMUNITY INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-CONTINUED
FOR THE YEAR ENDED JUNE 30, 2019

Changes of assumptions:

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

- The total OPEB liability as of August 31, 2018 was developed using the roll forward method of the August 31, 2017 valuation.
- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the total OPEB liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the total OPEB liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the total OPEB liability.
- The discount rate changed from 3.42 percent as of August 31, 2017 to 3.69 percent, as of August 31, 2018. This change lowered the total OPEB liability \$2.3 billion.

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COMBINING SCHEDULES

COMMUNITY INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

Data Control Codes		211	224	225	226
		ESEA I, A	IDEA - Part B	IDEA - Part B	IDEA - Part B
		Improving	Formula	Preschool	Discretionary
		Basic Program			
ASSETS					
1110	Cash and Cash Equivalents	\$ (46,962)	\$ (6,879)	\$ -	\$ -
1240	Due from Other Governments	52,545	16,211	-	-
1260	Due from Other Funds	-	-	-	-
1000	Total Assets	<u>\$ 5,583</u>	<u>\$ 9,332</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	4,518	2,913	-	-
2200	Accrued Expenditures	1,065	6,419	-	-
2300	Unearned Revenue	-	-	-	-
2000	Total Liabilities	<u>5,583</u>	<u>9,332</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
3490	Other Restricted Fund Balance	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 5,583</u>	<u>\$ 9,332</u>	<u>\$ -</u>	<u>\$ -</u>

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Other Federal Special Revenue Funds	410 State Textbook Fund	427 Math Achievement Academy	461 Campus Activity Funds
\$ 314,688	\$ (1,630)	\$ (14,204)	\$ (5,203)	\$ -	\$ (29,119)	\$ -	\$ 117,701
15,439	1,630	14,204	5,425	-	29,119	-	-
78	-	-	-	-	-	-	-
<u>\$ 330,205</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 222</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 117,701</u>
\$ 4,366	\$ -	\$ -	\$ 222	\$ -	\$ -	\$ -	\$ -
38,529	-	-	-	-	-	-	-
5,308	-	-	-	-	-	-	-
12,164	-	-	-	-	-	-	-
<u>60,367</u>	<u>-</u>	<u>-</u>	<u>222</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
269,838	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	117,701
<u>269,838</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>117,701</u>
<u>\$ 330,205</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 222</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 117,701</u>

COMMUNITY INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2019

Data Control Codes		495	499	Total
		Scholarship Fund	Other Local Special Revenue Funds	Nonmajor Governmental Funds
ASSETS				
1110	Cash and Cash Equivalents	\$ 55,630	\$ 334	\$ 384,356
1240	Due from Other Governments	-	-	134,573
1260	Due from Other Funds	653	-	731
1000	Total Assets	<u>\$ 56,283</u>	<u>\$ 334</u>	<u>\$ 519,660</u>
LIABILITIES				
2110	Accounts Payable	\$ -	\$ -	\$ 4,588
2160	Accrued Wages Payable	-	-	45,960
2200	Accrued Expenditures	-	-	12,792
2300	Unearned Revenue	-	334	12,498
2000	Total Liabilities	<u>-</u>	<u>334</u>	<u>75,838</u>
FUND BALANCES				
Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	269,838
3490	Other Restricted Fund Balance	56,283	-	56,283
Committed Fund Balance:				
3545	Other Committed Fund Balance	-	-	117,701
3000	Total Fund Balances	<u>56,283</u>	<u>-</u>	<u>443,822</u>
4000	Total Liabilities and Fund Balances	<u>\$ 56,283</u>	<u>\$ 334</u>	<u>\$ 519,660</u>

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COMMUNITY INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	226 IDEA - Part B Discretionary
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	136,012	378,916	705	7,000
5020 Total Revenues	136,012	378,916	705	7,000
EXPENDITURES:				
Current:				
0011 Instruction	21,047	241,407	705	7,000
0013 Curriculum and Instructional Staff Development	64,918	339	-	-
0021 Instructional Leadership	40,948	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	137,170	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0061 Community Services	9,099	-	-	-
6030 Total Expenditures	136,012	378,916	705	7,000
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - July 1 (Beginning)	-	-	-	-
3000 Fund Balance - June 30 (Ending)	\$ -	\$ -	\$ -	\$ -

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Other Federal Special Revenue Funds	410 State Textbook Fund	427 Math Achievement Academy	461 Campus Activity Funds
\$ 399,632	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 230,587
33,666	-	-	-	-	151,883	350	-
632,038	12,978	36,135	36,234	10,410	-	-	-
1,065,336	12,978	36,135	36,234	10,410	151,883	350	230,587
-	12,978	-	25,730	3,936	151,883	350	-
-	-	32,465	9,306	-	-	-	-
-	-	3,670	514	-	-	-	-
-	-	-	-	6,474	-	-	-
1,042,606	-	-	-	-	-	-	-
-	-	-	-	-	-	-	227,701
-	-	-	684	-	-	-	13,739
1,042,606	12,978	36,135	36,234	10,410	151,883	350	241,440
22,730	-	-	-	-	-	-	(10,853)
247,108	-	-	-	-	-	-	128,554
\$ 269,838	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 117,701

COMMUNITY INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

Data Control Codes	495	499	Total
	Scholarship	Other Local	Nonmajor
	Fund	Special Revenue Funds	Governmental Funds
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 8,216	\$ 10,357	\$ 648,792
5800 State Program Revenues	-	-	185,899
5900 Federal Program Revenues	-	-	1,250,428
5020 Total Revenues	8,216	10,357	2,085,119
EXPENDITURES:			
Current:			
0011 Instruction	8,851	10,357	484,244
0013 Curriculum and Instructional Staff Development	-	-	107,028
0021 Instructional Leadership	-	-	45,132
0031 Guidance, Counseling and Evaluation Services	-	-	143,644
0035 Food Services	-	-	1,042,606
0036 Extracurricular Activities	-	-	227,701
0061 Community Services	-	-	23,522
6030 Total Expenditures	8,851	10,357	2,073,877
1200 Net Change in Fund Balance	(635)	-	11,242
0100 Fund Balance - July 1 (Beginning)	56,918	-	432,580
3000 Fund Balance - June 30 (Ending)	\$ 56,283	\$ -	\$ 443,822

REQUIRED T.E.A. SCHEDULES

COMMUNITY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED JUNE 30, 2019

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2010 and prior years	Various	Various	\$ Various
2011	1.040000	0.455000	457,547,313
2012	1.040000	0.455000	466,665,151
2013	1.170000	0.455000	464,899,076
2014	1.170000	0.455000	489,152,569
2015	1.170000	0.455000	529,794,052
2016	1.170000	0.455000	579,255,903
2017	1.170000	0.455000	651,226,753
2018	1.170000	0.455000	804,914,073
2019 (School year under audit)	1.170000	0.500000	929,150,928
1000 TOTALS			

(10) Beginning Balance 7/1/2018		(20) Current Year's Total Levy		(31) Maintenance Collections		(32) Debt Service Collections		(40) Entire Year's Adjustments		(50) Ending Balance 6/30/2019	
\$	307,780	\$	-	\$	28,851	\$	7,425	\$	(12,852)	\$	258,652
	31,666		-		3,594		1,572		(1,613)		24,887
	31,933		-		3,366		1,473		(1,949)		25,145
	51,623		-		17,307		6,731		550		28,135
	59,619		-		25,062		9,746		10,315		35,126
	71,458		-		27,117		10,546		10,191		43,986
	90,427		-		30,435		11,836		9,373		57,529
	103,584		-		28,156		10,950		(500)		63,978
	256,805		-		82,223		31,975		(25,485)		117,122
	-		14,861,312		10,422,260		4,453,957		318,645		303,740
<u>\$</u>	<u>1,004,895</u>	<u>\$</u>	<u>14,861,312</u>	<u>\$</u>	<u>10,668,371</u>	<u>\$</u>	<u>4,546,211</u>	<u>\$</u>	<u>306,675</u>	<u>\$</u>	<u>958,300</u>

COMMUNITY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED JUNE 30, 2019

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 349,000	\$ 400,498	\$ 399,632	\$ (866)
5800 State Program Revenues	32,009	64,018	33,666	(30,352)
5900 Federal Program Revenues	589,000	655,369	632,038	(23,331)
5020 Total Revenues	970,009	1,119,885	1,065,336	(54,549)
EXPENDITURES:				
Current:				
0035 Food Services	970,009	1,048,009	1,042,606	5,403
6030 Total Expenditures	970,009	1,048,009	1,042,606	5,403
1200 Net Change in Fund Balances	-	71,876	22,730	(49,146)
0100 Fund Balance - July 1 (Beginning)	247,108	247,108	247,108	-
3000 Fund Balance - June 30 (Ending)	\$ 247,108	\$ 318,984	\$ 269,838	\$ (49,146)

COMMUNITY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2019

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 4,371,150	\$ 4,684,854	\$ 4,664,857	\$ (19,997)
5800 State Program Revenues	155,172	332,884	74,812	(258,072)
5020 Total Revenues	4,526,322	5,017,738	4,739,669	(278,069)
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Debt	2,188,982	2,205,000	2,130,000	75,000
0072 Interest on Long-Term Debt	2,565,668	2,549,650	2,555,668	(6,018)
0073 Bond Issuance Cost and Fees	5,000	5,000	2,250	2,750
6030 Total Expenditures	4,759,650	4,759,650	4,687,918	71,732
1200 Net Change in Fund Balances	(233,328)	258,088	51,751	(206,337)
0100 Fund Balance - July 1 (Beginning)	5,244,928	5,244,928	5,244,928	-
3000 Fund Balance - June 30 (Ending)	\$ 5,011,600	\$ 5,503,016	\$ 5,296,679	\$ (206,337)

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FEDERAL AWARDS SECTION

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees
Community Independent School District
Nevada, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Community Independent School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Community Independent School District's basic financial statements, and have issued our report dated November 11, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Response to Finding

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

Purpose of this Report

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



Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

November 11, 2019

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees
Community Independent School District
Nevada, Texas

Report on Compliance for Each Major Federal Program

We have audited Community Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Community Independent School District's major federal programs for the year ended June 30, 2019. Community Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of finding and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of COMMUNITY Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations 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 COMMUNITY Independent School 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 COMMUNITY Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Community Independent School 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 June 30, 2019.

Report on Internal Control Over Compliance

Management of Community Independent School 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 Community Independent School 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 Community Independent School 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, we identified a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-001, which we consider to be a significant deficiency.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

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.

Hankins, Eastup, Deaton, Tonn & Seay
Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

November 11, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

I. Summary of Auditor's Results

1. Type of auditor's report issued on the financial statements: Unmodified.
2. Internal control over financial reporting:
Material weakness(es) identified: None
Significant deficiency(ies) identified that are not considered to be material weaknesses: Yes
3. Noncompliance which is material to the financial statements: None
4. Internal controls over major federal programs:
Material weakness(es) identified: None
Significant deficiency(ies) identified that are not considered to be material weaknesses: Yes
5. Type of auditor's report on compliance for major federal programs: Unmodified.
6. Did the audit disclose findings which are required to be reported in accordance with 2 CFR 200.516(a)?: No
7. Major programs include:
Special Education Cluster:
CFDA 84.027 IDEA-Part B, Formula
CFDA 84.027 IDEA-Part B, Discretionary
CFDA 84.173 IDEA-Part B, Preschool
8. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.
9. Low risk auditee: Yes

II. Findings Related to the Financial Statements

None

III. Findings and Questioned Costs for Federal Awards Including Audit Findings as Described in I.6

Finding 2019-001

84.027 & 84.173 – IDEA – Part B, Department of Education, passed through the State Department of Education

Allowable Costs and Costs Cost Principles – Significant Deficiency in Controls over Compliance

Criteria – According to 2 CFR 200.303, non-federal entities receiving federal funds are required to establish and maintain internal control over federal programs in order to provide reasonable assurance that the entity is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal awards that could have a material effect on its federal programs.

COMMUNITY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED
FOR THE YEAR ENDED JUNE 30, 2019

III. Findings and Questioned Costs for Federal Awards Including Audit Findings as Described in I.6-
(continued)

Condition – During our tests of payroll expenditures and federal time and effort certifications, we identified instances where required semi-annual time and effort certifications were not obtained by district federal grant managers from employees working solely on the federal program.

Questioned Costs – None

Context – During our review of four federally funded salaried employees paid out of IDEA Part B, Department of Education, none of the four completed the required semi-annual certifications. According to District personnel none of the District employees funded by IDEA Part B completed the required semi-annual certifications for the 18-19 fiscal year.

Effect – Failure to complete the required time and effort documentation to support salaries charged to the federal grant could result in unallowable charges to the program and require the district to reimburse the granting agency.

Cause – The Special Education Director over the IDEA Part B federal program did not have sufficient knowledge of the federal program requirements and/or failed to have processes in place to assure compliance with the federal program. The Special Education Director during the 18-19 fiscal year has left the District and has been replaced.

Recommendation – The District's Federal Grants Manager should review its Federal Procedures Manual (EDGAR) to ensure the procedures for time and effort are in compliance with federal laws and regulations. Also, all grant managers (Directors) over federal programs should obtain federal funds compliance training regarding these procedures.

View of Responsible Officials – See corrective action plan.

IV. Corrective Action Plan

Finding 2019-001 – Allowable Costs and Cost Principles

Responsible Party – Julie Meek, Director of Special Programs

Management Response – Management acknowledges finding

Corrective Action – The Federal Grants Manager will update its Federal Procedures Manual, will provide training to all federal grant managers and implement procedures and controls to monitor financial compliance over federal programs.

Expected Completion Date – January 31, 2020

COMMUNITY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

No prior findings.

COMMUNITY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Direct Programs</u>			
Impact Aid - P.L. 81.874 (Note A)	84.041		\$ 25,436
Total Direct Programs			25,436
<u>Passed Through Region 10 Education Service Center</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	19610101057950	136,012
Title III, Part A - English Language Acquisition	84.365A	19671001057950	36,234
ESEA, Title II, Part A, Teacher Principal Training	84.367A	19694501057950	36,135
Title IV, Part A - Student Support	84.424A	196810101057950	10,410
Total Passed Through Region 10 Education Service Center			218,791
<u>Passed Through State Department of Education</u>			
*IDEA - Part B, Formula	84.027	196600010439186600	378,916
*IDEA - Part B, Discretionary	84.027	1866031	7,000
Total CFDA Number 84.027			385,916
*IDEA - Part B, Preschool	84.173	196600010439186611	705
Total Special Education Cluster (IDEA)			386,621
Career and Technical - Basic Grant	84.048	19420006043918	12,978
Total Passed Through State Department of Education			399,599
TOTAL U.S. DEPARTMENT OF EDUCATION			643,826
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Texas Health & Human Services Comm.</u>			
Medicaid Administrative Claiming Program - MAC	93.778	HHS000537900051	2,490
Total Passed Through Texas Health & Human Services Comm.			2,490
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			2,490
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401901	126,753
*National School Lunch Program - Cash Assistance	10.555	71301901	504,390
*National School Lunch Prog. - Non-Cash Assistance	10.555	71301901	55,233
Total CFDA Number 10.555			559,623
Total Child Nutrition Cluster			686,376
Child & Adult Care Food Program - Cash Assistance	10.558	043918	2,045
Watershed Protection & Flood Control	10.904	9K190911	7,574
Total Passed Through the State Department of Agriculture			695,995
TOTAL U.S. DEPARTMENT OF AGRICULTURE			695,995
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,342,311

*Clustered Programs

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

COMMUNITY INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

1. The District uses the fund types specified in Texas Education Agency's Financial Accountability System Resource Guide. Special Revenue Funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund. Generally, unused balances are returned to the grantor at the close of specified project periods.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund which is a Governmental Fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund types and Agency 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 fund liability is incurred, if measurable, except for unmatured interest on Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

3. The District participates in numerous state and Federal grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at June 30, 2019, may be impaired. In the opinion of the District, there are not significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions has been recorded in the accompanying combined financial statements for such contingencies.
4. The District also received \$96,784 of School Health and Related Services (SHARS) payments and \$24,007 of E-rate reimbursements. These payments are not considered Federal awards for purposes of the Schedule of Expenditures of Federal Awards and were recorded as Federal revenues in the General Fund.

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