




**Texas City Independent School District
Simpson Education Support Center Board Room
Friday, December 8, 2023
Meeting Time: 8:00 AM
Finance Committee Meeting
1700 9th Avenue North
Texas City, TX 77590**

	Page
1. Call to Order	
2. Public Meeting	
2.1 Discuss 2022-2023 Financial Report	2 - 114
Texas City ISD Draft 12.1.23 (003).pdf 	

3. Adjournment

During the course of the meeting, the Board may consider agenda items in any order and meet at any time in executive session for the purposes allowed under the Texas Open Meetings Act. On this Tuesday, December 5, 2023, this notice was posted at a place convenient to the public in the central administrative office of the Texas City Independent School District, located at 1700 9th Avenue North, Texas City, Texas, and readily accessible to the general public at all times.

Texas City Independent School District

Dr. Melissa Duarte, Superintendent

Texas City Independent School District

Annual Financial Report

For the Fiscal Year Ended August 31, 2023

Texas City Independent School District
Annual Financial Report
For the Fiscal Year Ended August 31, 2023
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Certificate of the Board

Texas City Independent School District
Name of School District

Galveston
County

084-906
Co.-Dist Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and _____ approved _____ disapproved for the fiscal year ended August 31, 2023 at a meeting of the Board of Trustees of such school district on the ____ day of _____, 2023.

Signature of Board Secretary

Signature of Board President

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

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Financial Section

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Texas City Independent School District (the District), as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, during the year ended August 31, 2023, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The District's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

The Board of Trustees of
Texas City Independent School District

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

The Board of Trustees of
Texas City Independent School District

Supplementary Information

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

The Supplementary Information and 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 Supplementary Information and Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises Schedule of Required Responses to Selected School FIRST Indicators, but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated **December XX, 2023** on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

WEAVER AND TIDWELL, L.L.P.

Houston, Texas
December XX, 2023

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Management's Discussion and Analysis

As management of the Texas City Independent School District (the District), we offer readers of the accompanying report this narrative overview and analysis of the financial activities of the District for the fiscal year ended August 31, 2023.

Financial Highlights

- Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources at year-end by \$200,579,570 (net position).
- The District's total net position increased by \$30,908,500 from current operations.
- As of the close of the year, the District's governmental funds had combined ending fund balances of \$ 284,222,754, an increase of \$147,082,331 as compared to the preceding year.
- At the end of the year, unassigned fund balance of the general fund was \$37,259,342 or 38 percent of the year's total general fund expenditures.
- The District's total bonded debt increased by \$122,768,166 (63 percent) during the year.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

The District maintained thirty-three individual governmental funds during the year. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, capital projects fund and Elementary and Secondary Emergency Relief III of the American Rescue Plan Act fund (ESSER III ARP), which are considered to be major funds. Data from the other twenty-nine governmental funds are combined into a single, aggregated presentation titled *other governmental funds*.

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

As mentioned earlier, net position may, over time, serve as an indicator of a District's changing financial position. At the close of the District's most recent fiscal year, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$200,579,570, an increase of \$30,908,500 from current operations over the preceding year.

Texas City Independent School District's Net Position

	Governmental Activities					
	2023		2022		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Current and other assets	\$ 303,331,098	50	\$ 156,642,705	35	\$ 146,688,393	94
Capital assets, net of depreciation	298,754,404	50	293,072,870	65	5,681,534	2
Total assets	602,085,502	100	449,715,575	100	152,369,927	
Total deferred outflows of resources	20,019,589	100	17,186,604	100	2,832,985	16
Long-term liabilities outstanding	369,460,355	96	239,475,074	95	129,985,281	54
Other liabilities	13,793,694	4	12,288,177	5	1,505,517	12
Total liabilities	383,254,049	100	251,763,251	100	131,490,798	
Total deferred inflows of resources	38,271,472	100	45,467,858	100	(7,196,386)	(16)
Net position:						
Net investment in capital assets	135,309,806	67	116,631,083	69	18,678,723	16
Restricted	19,882,037	10	18,781,399	11	1,100,638	6
Unrestricted	45,387,727	23	34,258,588	20	11,129,139	32
Total net position	\$ 200,579,570	100	\$ 169,671,070	100	\$ 30,908,500	

The largest portion of the District's net position is net investment in capital assets. Investment in capital assets (e.g., land, buildings and improvements, furniture and equipment, right-to-use leased equipment, right-to-use subscriptions and construction in progress), less any related debt used to acquire those assets that are still outstanding represent 67 percent of the District's net position. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net position of \$19,882,037 which represents 10 percent of total net position, is restricted for future debt service and grant expenditures.

Unrestricted net position of \$45,387,727 increased due to favorable market conditions for investments.

Governmental Activities. Governmental activities increased the District's net position by \$30,908,500 from current operations. Key elements of this change are as follows:

Texas City Independent School District's Change in Net Position

	Governmental Activities					
	2023		2022		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Revenues						
Program revenues:						
Charges for services	\$ 2,043,524	1	\$ 1,593,558	1	\$ 449,966	28
Operating grants and contributions	30,502,540	18	24,046,932	18	6,455,608	27
General revenues:						
Property taxes, levied for general purposes	62,527,526	38	56,193,540	39	6,333,986	11
Property taxes, levied for debt service	24,056,602	14	18,431,581	13	5,625,021	31
Grants and contributions not restricted to specific programs	37,899,078	22	40,128,521	28	(2,229,443)	(6)
Insurance proceeds	1,553,676	1	32,013	-	1,521,663	-
Investment earnings	8,043,658	5	712,898	-	7,330,760	1,028
Miscellaneous	2,089,260	1	2,011,280	1	77,980	4
Total revenues	168,715,864	100	143,150,323	100	25,565,541	
Expenses:						
Instruction	65,807,572	47	59,510,117	49	6,297,455	11
Instructional resources and media services	1,029,891	1	961,588	1	68,303	7
Curriculum and instructional staff development	2,178,833	2	1,815,530	1	363,303	20
Instructional leadership	2,602,536	2	2,311,024	2	291,512	13
School leadership	6,583,169	5	5,773,050	5	810,119	14
Guidance, counseling, and evaluation services	3,306,889	2	2,817,922	2	488,967	17
Social work services	436,627	-	274,832	-	161,795	59
Health services	956,803	1	860,063	1	96,740	11
Student transportation	3,455,715	3	3,091,795	3	363,920	12
Food services	6,643,579	5	5,535,696	5	1,107,883	20
Extracurricular activities	3,858,090	3	3,407,093	3	450,997	13
General administration	4,021,498	3	4,051,901	3	(30,403)	(1)
Plant maintenance and operations	17,901,263	13	17,767,463	15	133,800	1
Security and monitoring services	3,940,006	3	3,000,573	2	939,433	31
Data processing services	3,369,482	2	2,950,063	2	419,419	14
Community services	324,672	-	391,448	-	(66,776)	(17)
Interest on long-term debt	8,265,266	6	6,750,558	5	1,514,708	22
Issuance costs and fees	1,364,040	1	3,550	-	1,360,490	38,324
Facilities repair and maintenance	20,435	-	68,498	-	(48,063)	(70)
Contracted instructional services between schools	826,620	1	460,170	-	366,450	80
Payments related to shared service arrangements	348,195	-	287,471	-	60,724	21
Other intergovernmental charges	566,183	-	675,295	1	(109,112)	(16)
Total expenses	137,807,364	100	122,765,700	100	15,041,664	
Change in net position	30,908,500		20,384,623		10,523,877	
Net position - beginning	169,671,070		149,286,447		20,384,623	
Net position - ending	\$ 200,579,570		\$ 169,671,070		\$ 30,908,500	

Revenues, aggregating \$168,715,864, were generated primarily from two sources. Property taxes \$86,584,128 represent 52 percent of total revenues while grants and contributions, including those not restricted for program-specific use as well as for general operations, totaling \$68,401,618, represent 40 percent of total revenues. The remaining 8 percent is generated from investment earnings, charges for services, insurance proceeds, and miscellaneous revenues. The most significant changes were the increases in investment earnings and property tax revenues as of result of favorable market conditions and an increase in the assessed taxable values.

The primary functional expenses of the District are instruction \$65,807,572, which represents 47 percent of total expenses and plant maintenance and operations \$17,901,263 which represents 13 percent of total expenses, while all remaining expense categories are individually 6 percent or less of total expenses. The increase in functional expenses is primarily due to increases in instructional expenses, interest on long-term debt, issuance costs and fees and food services.

Financial Analysis of the Government's Funds

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

Governmental Funds. At the end of the fiscal year, the District's governmental funds had combined ending fund balances of \$284,222,754, an increase of \$147,082,331 from the preceding year. Comments as to each individual major fund's change in fund balance follows.

The general fund is the primary operating fund of the District. At year-end, unassigned fund balance of the general fund was \$37,259,342, while total fund balance was \$107,950,311. To evaluate the general fund's liquidity, it may be helpful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 38 percent of total general fund expenditures, while total fund balance represents 111 percent of that same total. The fund balance of the general fund increased \$9,085,641 during the year, primarily related to increases in property tax revenue due to increased property values and increases in investment earnings due to higher interest rates.

The debt service fund ended the year with a total fund balance of \$18,403,244, all of which is restricted for the payment of principal and interest on debt. The debt service fund balance increased \$2,680,836 during the year, primarily due to an increase in the assessed taxable values.

The capital projects fund has a total fund balance of \$154,107,383, which is an increase of \$134,196,027. The net increase in fund balance during the current year in the capital projects fund was due to the bond proceeds from the sale of building bonds issued in the current year.

The ESSER III ARP fund has a \$0 fund balance due to current year revenues exceeding expenditures of by \$242,022 to remove the prior year deficit in fund balance. The fund recognized \$6,447,335 of revenues and \$6,205,313 of expenditures in the current year.

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

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

General Fund Budgetary Highlights

The District amends the budget as needed throughout the year. The final budgeted expenditures increased by \$14.5 million primarily due to increases in plant maintenance and operations, security and monitoring services, extracurricular activities and instruction.

Actual revenues were greater than final budget. Significant variances were \$1.7 million less than budgeted for local and intermediate sources and \$15.2 million more than budgeted for state program revenues. Expenditures were \$4.7 million less than budgeted primarily driven by less expenditures in plant maintenance and operations, security and monitoring services and data processing services.

Capital Assets and Long-term Liabilities

Capital Assets. The District’s investment in capital assets for its governmental activities as of August 31, 2023 was \$298,754,404 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, right-to-use leased equipment, right-to-use subscriptions and construction in progress. The increase in capital assets, net of depreciation and amortization, for the current fiscal year was \$5,566,526.

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

	Governmental Activities					
	2023		2022		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Land and improvements	\$ 10,290,724	4	\$ 7,200,816	3	\$ 3,089,908	43
Buildings and improvements	273,526,143	92	235,249,513	80	38,276,630	16
Furniture and equipment	7,205,231	2	9,548,630	3	(2,343,399)	(25)
Right-to-use leased equipment	293,384	-	113,773	-	179,611	158
Right-to-use subscriptions*	146,388	-	115,008	-	31,380	27
Construction in progress	7,292,534	2	40,960,138	14	(33,667,604)	(82)
Totals	\$ 298,754,404	100	\$ 293,187,878	100	\$ 5,566,526	

* Right-to-use subscriptions have been adjusted to reflect a beginning balance upon adoption of GASB 96, *Subscription-Based Information Technology Arrangements*.

Major additions consisted of:

- Land purchase
- Construction of various capital projects

Additional information on the District’s capital assets can be found in the Note 3.D. to the financial statements.

Commitments. At the end of the current fiscal year, the District’s commitments with construction contractors totaled \$11,358,032.

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

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

	Governmental Activities					
	2023		2022		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
General obligation bonds	\$ 317,779,675	86	195,011,509	82	\$ 122,768,166	63
Leases payable	296,517	-	120,137	-	176,380	147
Subscriptions payable *	86,628	-	115,008	-	(28,380)	(25)
Workers' compensation	405,523	-	269,052	-	136,471	51
Compensated absences	1,244,041	-	1,066,284	-	177,757	17
Net pension liability	32,445,001	9	14,345,274	6	18,099,727	126
Net OPEB liability	17,202,970	5	28,662,818	12	(11,459,848)	(40)
Totals	\$ 369,460,355	100	239,590,082	100	\$ 129,870,273	

* Subscriptions payable has been adjusted to reflect a beginning balance upon adoption of GASB 96, *Subscription-Based Information Technology Arrangements*.

The District's total bonded debt increased by \$122,768,166 (63 percent) during the current fiscal year, which primarily resulted from the issuance of \$131,390,000 in bonds.

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

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

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

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

Economic Factors and Next Year's Budgets and Tax Rates

- School year (2023-24) student enrollment is 7,875, a 0% increase from the preceding year.
- District staff totals 1,300 employees in 2023-2024, excluding substitutes and other part-time employees, of which 538 are teachers and 207 are teacher aides and secretaries.
- The District maintains twelve regular education campuses and one disciplinary alternative education program campus. The district also participates in two shared service arrangements.
- Property values of the District are projected to remain comparable for the 2023-24 year.
- A maintenance and operations tax rate of \$0.7959 and a debt service tax rate of \$0.3683, a total rate of \$1.1642 were adopted for 2023-2024. Preceding year rates were \$0.9429, \$0.3684, and \$1.3113, respectively.

All of these factors and others were considered in preparing the District's budget for the 2023-2024 fiscal year.

During 2022-23, fund balance in the general fund increased to \$ 108,041,592. The District plans to utilize unassigned fund balance to fund current period expenditures prior to collecting the current year tax levy.

Requests for Information

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

Basic Financial Statements

Texas City Independent School District
Statement of Net Position
August 31, 2023

Exhibit A-1

1

<u>Data Control Codes</u>		<u>Primary Government Governmental Activities</u>
ASSETS		
1110	Cash and cash equivalents	\$ 16,343,286
1120	Investments	196,820,866
1220	Property taxes receivables	6,089,423
1230	Allowance for uncollectible taxes	(60,000)
1240	Due from other governments	12,058,649
1290	Other receivables	15,501
1300	Inventories	216,978
1410	Prepaid items	3,159,247
1910	Long-term investments	68,687,148
	Capital assets:	
1510	Land	10,290,724
1520	Buildings and improvements (net)	273,526,143
1530	Furniture and equipment (net)	7,205,231
1550	Right-to-use assets (net)	439,772
1580	Construction in progress	7,292,534
		<hr/>
1000	Total assets	602,085,502
DEFERRED OUTFLOWS OF RESOURCES		
1705	Deferred outflows - pension	13,967,889
1706	Deferred outflows - OPEB	4,280,809
1710	Deferred charge on refunding	1,770,891
		<hr/>
1700	Total deferred outflows of resources	20,019,589
LIABILITIES		
2110	Accounts payable	5,568,209
2140	Interest payable	2,663,522
2150	Payroll deductions and withholdings	1,173,150
2160	Accrued wages payable	4,195,675
2180	Due to other governments	120,296
2300	Unearned revenue	72,842
	Noncurrent liabilities:	
2501	Due within one year	14,241,428
2502	Due in more than one year	305,570,956
2540	Net pension liability	32,445,001
2545	Net OPEB liability	17,202,970
		<hr/>
2000	Total liabilities	383,254,049
DEFERRED INFLOWS OF RESOURCES		
2605	Deferred inflows - pension	5,237,946
2606	Deferred inflows - OPEB	31,986,696
2610	Deferred gain on refunding	1,046,830
		<hr/>
2600	Total deferred inflows of resources	38,271,472
NET POSITION		
3200	Net investment in capital assets	135,309,806
3820	Restricted for grants	2,580,850
3820	Restricted for scholarships	129,322
3850	Restricted for debt service	17,171,865
3900	Unrestricted	45,387,727
		<hr/>
3000	TOTAL NET POSITION	\$ 200,579,570

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

Texas City Independent School District
Statement of Activities
For the Fiscal Year Ended August 31, 2023

Data Control Codes	Functions/Programs	1	3	4	5	Net (Expense) Revenue and Changes in Net Position
		Expenses	Program Revenues			Governmental Activities
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
PRIMARY GOVERNMENT						
	Governmental activities:					
0011	Instruction	\$ 65,807,572	\$ 913,763	\$ 17,797,783	\$ -	\$ (47,096,026)
0012	Instructional resources and media services	1,029,891	40,985	17,874	-	(971,032)
0013	Curriculum and instructional staff development	2,178,833	-	1,304,623	-	(874,210)
0021	Instructional leadership	2,602,536	-	1,280,398	-	(1,322,138)
0023	School leadership	6,583,169	32,708	613,861	-	(5,936,600)
0031	Guidance, counseling, and evaluation services	3,306,889	-	746,516	-	(2,560,373)
0032	Social work services	436,627	-	275,938	-	(160,689)
0033	Health services	956,803	1,692	81,936	-	(873,175)
0034	Student transportation	3,455,715	236,583	50,142	-	(3,168,990)
0035	Food services	6,643,579	349,868	6,959,716	-	666,005
0036	Extracurricular activities	3,858,090	357,469	24,293	-	(3,476,328)
0041	General administration	4,021,498	-	67,012	-	(3,954,486)
0051	Plant maintenance and operations	17,901,263	11,644	112,137	-	(17,777,482)
0052	Security and monitoring services	3,940,006	-	105,810	-	(3,834,196)
0053	Data processing services	3,369,482	29,852	140,991	-	(3,198,639)
0061	Community services	324,672	68,960	219,481	-	(36,231)
0072	Interest on long-term debt	8,265,266	-	-	-	(8,265,266)
0073	Issuance costs and fees	1,364,040	-	704,018	-	(660,022)
0081	Facilities repair and maintenance	20,435	-	11	-	(20,424)
0091	Contracted instructional services between schools	826,620	-	-	-	(826,620)
0093	Payments related to shared services arrangements	348,195	-	-	-	(348,195)
0099	Other intergovernmental charges	566,183	-	-	-	(566,183)
TG	Total governmental activities	137,807,364	2,043,524	30,502,540	-	(105,261,300)
TP	TOTAL PRIMARY GOVERNMENT	\$ 137,807,364	\$ 2,043,524	\$ 30,502,540	\$ -	(105,261,300)
	General revenues					
MT	Property taxes, levied for general purposes					62,527,526
DT	Property taxes, levied for debt service					24,056,602
GC	Grants and contributions not restricted to specific programs					37,899,078
IN	Insurance proceeds					1,553,676
IE	Investment earnings					8,043,658
MI	Miscellaneous					2,089,260
TR	Total general revenues					136,169,800
CN	Change in net position					30,908,500
NB	Net position - beginning					169,671,070
NE	NET POSITION - ENDING					\$ 200,579,570

Texas City Independent School District

Balance Sheet – Governmental Funds

August 31, 2023

<u>Data Control Codes</u>		<u>199</u>	<u>599</u>
		<u>General Fund</u>	<u>Debt Service Fund</u>
ASSETS			
1110	Cash and cash equivalents	\$ 9,150,624	\$ 357,533
1120	Investments	50,438,964	18,105,787
1220	Property taxes receivables	4,643,280	1,446,143
1230	Allowance for uncollectible taxes	(46,000)	(14,000)
1240	Due from other governments	2,443,456	-
1260	Due from other funds	9,240,033	60,220
1290	Other receivables	15,501	-
1300	Inventories	120,860	-
1410	Prepaid items	2,612,136	-
1910	Long-term investments	41,631,351	-
		<hr/>	<hr/>
1000	Total assets	120,250,205	19,955,683
		<hr/>	<hr/>
1000a	TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 120,250,205</u>	<u>\$ 19,955,683</u>
LIABILITIES			
2110	Accounts payable	\$ 2,061,168	\$ -
2150	Payroll and withholdings	1,054,286	-
2160	Accrued wages payable	4,195,675	-
2170	Due to other funds	391,485	-
2180	Due to other governments	-	120,296
2300	Unearned revenue	-	-
		<hr/>	<hr/>
2000	Total liabilities	7,702,614	120,296
DEFERRED INFLOWS OF RESOURCES			
2600	Unavailable revenue - property taxes	4,597,280	1,432,143
		<hr/>	<hr/>
	Total deferred inflows of resources	4,597,280	1,432,143
FUND BALANCES			
3410	Nonspendable - inventories	120,860	-
3430	Nonspendable - prepaid items	2,612,136	-
3450	Restricted - grants	-	-
3470	Restricted - capital acquisitions and contractual obligations	-	-
3480	Restricted - debt service	-	18,403,244
3490	Restricted - scholarships	-	-
3545	Committed - campus activity	-	-
3550	Assigned - construction	28,053,606	-
3590	Assigned - other	39,904,367	-
3600	Unassigned	37,259,342	-
		<hr/>	<hr/>
3000	Total fund balances	107,950,311	18,403,244
		<hr/>	<hr/>
4000	TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 120,250,205</u>	<u>\$ 19,955,683</u>

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

699	282	Total	98
Capital Projects Fund	ESSER III ARP	Nonmajor Funds	Total Governmental Funds
\$ 6,071,623	\$ -	\$ 705,376	\$ 16,285,156
123,803,729	-	2,980,822	195,329,302
-	-	-	6,089,423
-	-	-	(60,000)
-	4,987,523	4,627,670	12,058,649
-	-	469	9,300,722
-	-	-	15,501
-	-	96,118	216,978
-	116,094	397,751	3,125,981
27,055,797	-	-	68,687,148
<u>156,931,149</u>	<u>5,103,617</u>	<u>8,808,206</u>	<u>311,048,860</u>
<u>\$ 156,931,149</u>	<u>\$ 5,103,617</u>	<u>\$ 8,808,206</u>	<u>\$ 311,048,860</u>
\$ 2,823,766	\$ 230,981	\$ 452,294	\$ 5,568,209
-	15,156	103,708	1,173,150
-	-	-	4,195,675
-	4,857,480	4,417,546	9,666,511
-	-	-	120,296
-	-	72,842	72,842
<u>2,823,766</u>	<u>5,103,617</u>	<u>5,046,390</u>	<u>20,796,683</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>6,029,423</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>6,029,423</u>
-	-	96,118	216,978
-	-	-	2,612,136
-	-	2,580,850	2,580,850
154,107,383	-	-	154,107,383
-	-	-	18,403,244
-	-	129,322	129,322
-	-	955,526	955,526
-	-	-	28,053,606
-	-	-	39,904,367
-	-	-	37,259,342
<u>154,107,383</u>	<u>-</u>	<u>3,761,816</u>	<u>284,222,754</u>
<u>\$ 156,931,149</u>	<u>\$ 5,103,617</u>	<u>\$ 8,808,206</u>	<u>\$ 311,048,860</u>

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Texas City Independent School District
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
August 31, 2023

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-1) \$ 284,222,754

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

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

Governmental capital assets costs	\$ 432,598,458	
Accumulated depreciation and amortization of governmental capital assets	<u>(133,844,054)</u>	298,754,404

Property taxes receivable, which will be collected subsequent to year-end, but are not available soon enough to pay expenditures and, therefore, are deferred in the funds. 6,029,423

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

Bonds payable, at original par	\$ (290,895,000)	
Premium on bonds payable	(26,884,675)	
Accrued interest on the bonds	(2,663,522)	
Lease liability	(296,517)	
Subscriptions payable	(86,628)	
Compensated absences	(1,244,041)	
Net pension liability	(32,445,001)	
Net OPEB liability	<u>(17,202,970)</u>	(371,718,354)

An internal service fund is used by the District to charge the costs of workers' compensation benefits to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities. 1,543,226

Deferred charge on refunding is reported as deferred outflow in the statement of net position and is not reported in the funds due to it is not a current financial resource available to pay for current expenditures. 1,770,891

Deferred gain on refunding represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. (1,046,830)

Deferred outflows of resources for pension represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenses/expenditures) until then. 13,967,889

Deferred inflows of resources for pension represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. (5,237,946)

Deferred outflows of resources for OPEB represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenses/expenditures) until then. 4,280,809

Deferred inflows of resources for OPEB represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. (31,986,696)

TOTAL NET POSITON - GOVERNMENTAL ACTIVITIES (EXHIBIT A-1) \$ 200,579,570

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

Texas City Independent School District
Statement of Revenues, Expenditures, and Changes
in Fund Balances
Governmental Funds
For the Fiscal Year Ended August 31, 2023

<u>Data Control Codes</u>		199	599
		<u>General Fund</u>	<u>Debt Service Fund</u>
REVENUES			
5700	Local and intermediate sources	\$ 69,793,039	\$ 25,439,573
5800	State program revenues	39,440,820	704,018
5900	Federal program revenues	3,337,370	-
5020	Total revenues	112,571,229	26,143,591
EXPENDITURES			
Current:			
0011	Instruction	46,132,266	-
0012	Instructional resources and media services	947,877	-
0013	Curriculum and instructional staff development	850,080	-
0021	Instructional leadership	1,233,299	-
0023	School leadership	5,794,824	-
0031	Guidance, counseling, and evaluation services	2,476,508	-
0032	Social work services	150,700	-
0033	Health services	848,182	-
0034	Student transportation	3,413,927	-
0035	Food services	-	-
0036	Extracurricular activities	3,647,314	-
0041	General administration	3,891,285	-
0051	Plant maintenance and operations	18,369,191	-
0052	Security and monitoring services	3,747,234	-
0053	Data processing services	3,250,631	-
0061	Community services	30,793	-
Debt service:			
0071	Principal on long-term debt	196,072	15,865,000
0072	Interest on long-term debt	9,675	7,399,131
0073	Issuance costs and fees	-	1,364,040
Capital outlay:			
0081	Facilities acquisition and construction	335,512	-
Intergovernmental:			
0091	Contracted instructional services between schools	826,620	-
0093	Payments related shares services arrangements	348,195	-
0099	Other intergovernmental charges	566,183	-
6030	Total expenditures	97,066,368	24,628,171
1100	Excess (deficiency) of revenues over expenditures	15,504,861	1,515,420
OTHER FINANCING SOURCES (USES)			
7911	Capital-related debt issued (regular bonds)	-	-
7913	Issuance of leases	344,072	-
7915	Transfers in	-	-
7916	Premium or discount on issuance of bonds	-	1,165,416
8911	Transfers out	(6,763,292)	-
7080	Total other financing sources (uses)	(6,419,220)	1,165,416
1200	Net change in fund balances	9,085,641	2,680,836
0100	Fund balances - beginning	98,864,670	15,722,408
3000	FUND BALANCES - ENDING	\$ 107,950,311	\$ 18,403,244

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

699	282	Total	98
Capital Projects Fund	ESSER III ARP	Nonmajor Funds	Total Governmental Funds
\$ 2,916,900	\$ -	\$ 1,702,869	\$ 99,852,381
-	-	546,483	40,691,321
-	6,447,335	21,601,370	31,386,075
2,916,900	6,447,335	23,850,722	171,929,777
-	5,537,146	12,002,819	63,672,231
-	7,609	41,144	996,630
-	216,564	1,077,751	2,144,395
-	19,631	1,237,053	2,489,983
-	268,627	317,124	6,380,575
-	69,788	644,522	3,190,818
-	3,044	267,803	421,547
-	6,087	69,320	923,589
-	-	22,487	3,436,414
-	-	6,559,183	6,559,183
-	3,044	176,984	3,827,342
-	-	42,058	3,933,343
-	27,108	24,948	18,421,247
-	7,661	89,897	3,844,792
-	36,721	119,774	3,407,126
-	2,283	280,050	313,126
-	-	-	16,061,072
-	-	-	7,408,806
-	-	-	1,364,040
14,484,165	-	-	14,819,677
-	-	-	826,620
-	-	-	348,195
-	-	-	566,183
14,484,165	6,205,313	22,972,917	165,356,934
(11,567,265)	242,022	877,805	6,572,843
131,390,000	-	-	131,390,000
-	-	-	344,072
6,763,292	-	-	6,763,292
7,610,000	-	-	8,775,416
-	-	-	(6,763,292)
145,763,292	-	-	140,509,488
134,196,027	242,022	877,805	147,082,331
19,911,356	(242,022)	2,884,011	137,140,423
\$ 154,107,383	\$ -	\$ 3,761,816	\$ 284,222,754

Texas City Independent School District
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended August 31, 2023

TOTAL NET CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-2)	\$ 147,082,331
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capital assets increased	\$ 16,275,682
Depreciation and amortization expense	<u>(10,709,156)</u> 5,566,526
Because some property taxes will not be collected for several months after the District's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased (decreased) by this amount this year.	410,326
Because some grant revenue will not be collected for several months after the District's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred grant revenues increased (decreased) by this amount this year.	(242,022)
Issuance of bonds provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.	
Par value	\$ (131,390,000)
(Premium) discount	<u>(8,775,416)</u> (140,165,416)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	15,865,000
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The increase (decrease) in interest reported in the statement of activities consist of the following:	
Accrued interest on current interest bonds payable (<i>increased</i>) <i>decreased</i>	\$ (2,337,495)
Amortization of bond premium and discount	1,532,250
Amortization of defeasance costs	<u>(51,215)</u> (856,460)
Acquiring right-to-use assets through lease arrangements is a financing source for governmental funds, but the lease arrangements increase long-term liabilities in the statement of net position.	(344,072)
Repayment of lease liability through lease arrangements is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	167,692
Repayment of subscription liability through lease arrangements is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	28,380
The (increase) decrease in compensated absences is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds.	(177,757)
An internal service fund is used by the District to charge the costs of workers' compensation benefits to the individual funds. The net activity of the internal service fund was reported in the government-wide statements.	133,265
The net change in net pension liability, deferred outflows, and deferred inflows is reported in the statement of activities but does not require the use of current financial resources and, therefore, funds. The net change consists of the following:	
Deferred outflows increased (decreased)	\$ 3,833,712
Deferred inflows (increased) decreased	13,828,896
Net pension liability (increased) decreased	<u>(18,099,727)</u> (437,119)
The net change in net OPEB liability, deferred outflows, and deferred inflows is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following:	
Deferred outflows increased (decreased)	\$ (746,921)
Deferred inflows (increased) decreased	(6,835,101)
Net OPEB liability (increased) decreased	<u>11,459,848</u> 3,877,826
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES (EXHIBIT B-1)	<u>\$ 30,908,500</u>

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

Texas City Independent School District
Statement of Net Position
Proprietary Fund
August 31, 2023

<u>Data Control Codes</u>		<u>Governmental Activities Internal Service Fund</u>
ASSETS		
	Current assets:	
1110	Cash and cash equivalents	\$ 58,130
1120	Investments	1,491,564
1260	Due from other funds	365,789
1410	Prepaid items	<u>33,266</u>
	Total current assets	<u>1,948,749</u>
1000	Total assets	1,948,749
LIABILITIES		
	Current liabilities:	
2123	Claims payable - due within one year	<u>200,000</u>
	Total current liabilities	200,000
	Noncurrent liabilities:	
2590	Claims payable - due in more than one year	<u>205,523</u>
	Total noncurrent liabilities	<u>205,523</u>
2000	Total liabilities	405,523
NET POSITION		
3900	Unrestricted	<u>1,543,226</u>
3000	TOTAL NET POSITION	<u><u>\$ 1,543,226</u></u>

Texas City Independent School District
Statement of Revenues, Expenses, and Changes
in Net Position
Proprietary Fund
For the Fiscal Year Ended August 31, 2023

<u>Data Control Codes</u>		<u>Governmental Activities Internal Service Fund</u>
OPERATING REVENUES		
5754	Interfund service provided	\$ 463,710
5020	Total operating revenues	463,710
OPERATING EXPENSES		
6200	Professional and contracted services	34,424
6400	Other operating costs	364,505
6030	Total operating expenses	398,929
1100	Operating income	64,781
NONOPERATING REVENUES		
7955	Investment earnings	68,484
8030	Total nonoperating revenues	68,484
1300	Change in net position	133,265
0100	Net position - beginning	1,409,961
3300	NET POSITION - ENDING	<u>\$ 1,543,226</u>

Texas City Independent School District
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended August 31, 2023

	Governmental Activities
	Internal Service Fund
	<hr/>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from District	\$ 97,921
Cash payments for claims, net of stop loss reimbursements	(230,374)
Cash payments for contracted services and supplies and materials	(34,547)
	<hr/>
Net cash used for operating activities	(167,000)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received on investments	68,484
Sale of investments	81,520
	<hr/>
Net cash provided by investing activities	150,004
Net decrease in cash and cash equivalents	(16,996)
Cash and cash equivalents at beginning of year	75,126
	<hr/>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	\$ 58,130
	<hr/>
RECONCILIATION OF OPERATING INCOME TO NET CASH USED FOR OPERATING ACTIVITIES	
Operating income	\$ 64,781
Change in assets and liabilities:	
(Increase) decrease in due from other funds	(365,789)
(Increase) decrease in prepaid items	(123)
Increase (decrease) in accounts payable	(2,340)
Increase (decrease) in claims payable	136,471
	<hr/>
NET CASH USED FOR OPERATING ACTIVITIES	\$ (167,000)
	<hr/>

Texas City Independent School District
Statement of Fiduciary Net Position
Fiduciary Funds
August 31, 2023

<u>Data Control Codes</u>		<u>865 Custodial Fund</u>
		<u>Student Activity</u>
ASSETS		
	Current assets:	
1110	Cash and cash equivalents	\$ 116,162
1120	Investments	<u>122,793</u>
	Total assets	238,955
LIABILITIES		
	Current liabilities:	
2110	Accounts payable	<u>8,354</u>
	Total liabilities	8,354
NET POSITION		
	Restricted for:	
	Student activities	<u>230,601</u>
3000	TOTAL NET POSITION	<u><u>\$ 230,601</u></u>

Texas City Independent School District
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended August 31, 2023

<u>Data Control Codes</u>		<u>865 Custodial Fund</u>
		<u>Student Activity</u>
	ADDITIONS	
5700	Student activities	\$ 408,538
	Total additions	408,538
	DEDUCTIONS	
6200	Student activity fees	383,269
	Total deductions	383,269
	Net change in fiduciary net position	25,269
3400	Net position - beginning	205,332
	NET POSITION - END OF YEAR	\$ 230,601

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Texas City Independent School District

Notes to the Basic Financial Statements

Note 1. Summary of Significant Accounting Policies

A. Description of Government-wide Financial Statements

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

B. Reporting Entity

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

C. Basis of Presentation – Government-wide Financial Statements

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

All interfund transactions between governmental funds and between governmental funds and internal service funds are eliminated in the government-wide financial statements. Interfund services provided and used are not eliminated in the process of consolidation.

D. Basis of Presentation – Fund Financial Statements

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

The District reports the following major governmental funds:

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

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

The *capital projects fund* accounts for the acquisition, construction, and equipping the District's major capital facilities.

The *Elementary and Secondary Emergency Relief III of the American Rescue Plan Act fund (ESSER III ARP)* accounts for resources granted to the District restricted for the uses outlined under the ESSER III ARP federal program.

Texas City Independent School District

Notes to the Basic Financial Statements

Additionally, the District reports the following fund types:

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

The *custodial fund* accounts for assets held by the District for student organizations. Contributions, student fees and fundraisers benefit the related organizations.

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

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

E. Measurement Focus and Basis of Accounting

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

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

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

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

The proprietary funds and fiduciary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

Texas City Independent School District
Notes to the Basic Financial Statements

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

1. Cash and Cash Equivalents

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

2. Investments

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

3. Inventories and Prepaid Items

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

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

4. Capital Assets

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

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

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

Capital Asset Classes	Lives
Buildings and improvements	8-60
Furniture and equipment	5-20

5. Deferred Outflows/Inflows of Resources

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

Texas City Independent School District

Notes to the Basic Financial Statements

Deferred outflows/inflows of resources are amortized as follows:

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

6. *Compensated Absences*

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

7. *Net Position Flow Assumption*

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

It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

8. *Fund Balance Flow Assumptions*

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

9. *Fund Balance Policies*

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

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

Texas City Independent School District

Notes to the Basic Financial Statements

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

10. Pension

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

11. Other Postemployment Benefits

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

12. Leases

The District is a lessee for noncancellable leases of equipment. The District recognizes a lease liability, reported with long-term debt, and a right-to-use lease asset (lease asset), reported with other capital assets, in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the lease term or its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease payments included in the measurement of the lease liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, purchase option price that the District is reasonably certain to exercise, lease incentives receivable from the lessor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

Texas City Independent School District

Notes to the Basic Financial Statements

The District monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

13. Subscription-Based Information Technology Arrangements (SBITAs)

The District has noncancellable contracts with SBITA vendors for the right to use information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets). The District recognizes a subscription liability, reported with long-term debt, and a right-to-use subscription asset (an intangible asset), reported with other capital assets, in the government-wide financial statements. The District recognizes subscription liabilities with an initial, individual value of \$5,000 or more. At the commencement of a SBITA, the District initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of SBITA payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for SBITA payments made at or before the SBITA commencement date, plus certain initial implementation costs. Subsequently, the subscription asset is amortized on a straight-line basis over the shorter of the subscription term or the useful life of the underlying IT assets.

Key estimates and judgments related to SBITAs include how the District determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- The District uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.
- The subscription term includes the noncancellable period of the SBITA.
- Subscription payments included in the measurement of the subscription liability are composed of fixed payments.

The District monitors changes in circumstances that would require a remeasurement of its SBITAs and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

G. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. Property Taxes

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

Texas City Independent School District

Notes to the Basic Financial Statements

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

H. Use of Estimates

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

I. Data Control Codes

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

J. Implementation of New Accounting Standards

GASB Statement No. 91, *Conduit Debt Obligations* (GASB 91), provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with 1) commitments extended by issuers, 2) arrangements associated with conduit debt obligations, and 3) related note disclosures. The requirements of this statement were originally effective for reporting periods beginning after December 15, 2020; however, issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* (GASB 95), extended the effective date of GASB 91 to reporting periods beginning after December 15, 2021, with earlier application encouraged. GASB 91 was implemented in the District's fiscal year 2023 financial statements with no impact to amounts previously reported.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB 94), improves financial reporting by addressing issues related to public-private and public-public partnership arrangements and provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this statement are effective for reporting periods beginning after June 15, 2022, with earlier application encouraged. GASB 94 was implemented in the District's fiscal year 2023 financial statements with no impact to amounts previously reported.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96), provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement 1) defines a SBITA; 2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset - and a corresponding subscription liability; 3) provides the capitalization criteria for outlays other than subscription payments; and 4) requires note disclosures regarding a SBITA. The requirements of this statement are effective for reporting periods beginning after June 15, 2022, with earlier application encouraged. GASB 96 was implemented in the District's fiscal year 2023 financial statements, resulting in the recognition of \$115,008 in subscription liabilities and subscription assets as of September 1, 2022 in the government-wide financial statements to conform to the new standard.

Texas City Independent School District

Notes to the Basic Financial Statements

K. Recent Accounting Pronouncements

GASB Statement No. 99, *Omnibus 2022* (GASB 99), enhances comparability in accounting and financial reporting and improves consistency of authoritative literature by addressing 1) practice issues that have been identified during implementation and application of certain GASB statements and 2) accounting and financial reporting for financial guarantees. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases were implemented in the District's fiscal year 2022 financial statements in conjunction with GASB 87. The requirements related to PPPs and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. These requirements for GASB 99 were implemented in the District's fiscal year 2023 financial statements in conjunction with GASB 94 and GASB 96 as described in Note 1. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. These requirements for GASB 99 will be implemented in the District's fiscal year 2024 financial statements and the impact has not yet been determined.

GASB Statement No. 100, *Accounting Changes and Error Corrections* (GASB 100), enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This statement 1) defines accounting changes and corrections of errors; 2) prescribes the accounting and financial reporting for each type of accounting change and error corrections; and 3) clarifies required note disclosures. The requirements of this statement are effective for reporting periods beginning after June 15, 2023, with earlier application encouraged. GASB 100 will be implemented in the District's fiscal year 2024 financial statements and the impact has not yet been determined.

GASB Statement No. 101, *Compensated Absences* (GASB 101), improves the information needs of financial statements users by updating the recognition and measurement guidance for compensated absences under a unified model and amending certain previously required disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2023, with earlier application encouraged. GASB 101 will be implemented in the District's fiscal year 2025 financial statements and the impact has not yet been determined.

Texas City Independent School District

Notes to the Basic Financial Statements

Note 2. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

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

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

B. Encumbrances

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

As of August 31, 2023, significant encumbrances included in governmental fund balances are as follows:

	Restricted <u>Fund Balance</u>	Committed <u>Fund Balance</u>	Assigned <u>Fund Balance</u>
General fund	\$ -	\$ -	\$ 1,401,332
Capital projects fund	8,753,380	-	-
Nonmajor funds	-	39,320	-
Total encumbrances	<u>\$ 8,753,380</u>	<u>\$ 39,320</u>	<u>\$ 1,401,332</u>

Note 3. Detailed Notes on All Funds

A. Deposits and Investments

Cash Deposits

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas School Depository Act. The depository bank pledges securities which comply with state law and these securities are held for safekeeping and trust with the District's and the depository banks' agent bank. The pledged securities shall be in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Texas City Independent School District

Notes to the Basic Financial Statements

Investments

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

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application* provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs—other than quoted prices included within Level 1—that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Texas City Independent School District
Notes to the Basic Financial Statements

The District’s investment measurements and balances, weighted average maturity, and credit risks of such investments are as follows (including the investments in the custodial funds):

	Governmental and Proprietary Funds	Fiduciary Funds	Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percent of Total Investments	Weighted Average Maturity (Days)	Credit Risk
Investment measured at cost, not subject to level reporting:								
Certificates of deposit	\$ 123,338,946	\$ -	\$ -	\$ -	\$ -	47%	363	Not rated**
Investment measured at amortized cost, not subject to level reporting:								
Investment pools:								
TexPool Prime	5,597,982	-	-	-	-	2%	32	AAAm*
TexPool	99,404,569	122,793	-	-	-	37%	23	AAAm*
Investments measured at fair value, subject to level reporting:								
US Treasury	37,166,517	-	-	37,166,517	-	14%	277	Not rated
Total value	\$ 265,508,014	\$ 122,793	\$ -	\$ 37,166,517	\$ -	100%		
Portfolio weighted average maturity							217	

*Standard & Poor’s Rating
**Certificates of deposit are collateralized and/or insured.

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

Investment pools are measured at amortized cost. Such investments are not subject to the fair value hierarchy reporting.

US Treasury securities, classified as level 2, are measured at fair value based on price obtained from broker dealers and/or pricing vendors, including observed transactions such as last price traded when available, or valuations in reference to similar securities for which prices are available.

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

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

Texas City Independent School District

Notes to the Basic Financial Statements

Credit Risk

At year end, the District’s investments were rated as noted in the table above. The District also invests in certificates of deposits which are insured or collateralized. The District invests in money market funds which consists primarily of cash and government agency securities.

Interest Rate Risk

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

Concentration of Credit Risk

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

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. As of August 31, 2023, District’s banks’ balances were not exposed to custodial credit risk because such balances were insured and collateralized with securities held by the District’s agent in the District’s name.

Custodial Credit Risk – Investments

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

B. Receivables

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

Change in uncollectibles related to general fund property taxes	\$ (2,000)
Change in uncollectibles related to debt service property taxes	<u>(1,000)</u>
Total change in uncollectibles of the current fiscal year	<u><u>\$ (3,000)</u></u>

Approximately 74% of the outstanding balance of property taxes receivable is not anticipated to be collected within the next year.

A concentration of risk exists for local revenue sources since approximately 21% of the District’s taxable property value is attributed to one taxpayer. Similarly, the District’s ten largest taxpayers approximate 40% of the total taxable value of the District.

Texas City Independent School District
Notes to the Basic Financial Statements

C. Interfund Receivables, Payables, and Transfers

Receivables/Payables

The composition of interfund balances as of August 31, 2023, is as follows:

Funds	Interfund Receivables	Interfund Payables
Governmental funds:		
General fund	\$ 9,240,033	\$ 391,485
Debt service fund	60,220	-
ESSER III ARP fund	-	4,857,011
Other governmental funds - nonmajor	469	4,418,015
Proprietary fund:		
Internal service fund	365,789	-
Totals	\$ 9,666,511	\$ 9,666,511

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

Transfers

Interfund transfers are defined as “flows of assets without equivalent flow of assets in return and without a requirement for repayment.” Transfers are the use of funds collected in one fund and are transferred to finance various programs accounted for in other funds. The composition of interfund transfers for the fiscal year ended August 31, 2023 is as follows:

Transfer Out	Transfers In	Amount
General fund	Capital projects fund	\$ 6,763,292
Totals		\$ 6,763,292

Transfers from the general fund to the capital projects fund were for current construction payments.

Texas City Independent School District
Notes to the Basic Financial Statements

D. Capital Assets

Capital asset activity for the fiscal year ended August 31, 2023 was as follows:

	Beginning Balance	Additions	Retirements, Transfers, and Adjustments	Ending Balance
Governmental activities:				
Capital assets, not being depreciated/amortized:				
Land	\$ 7,200,816	\$ 3,089,908	\$ -	\$ 10,290,724
Construction in progress	40,960,138	7,292,534	(40,960,138)	7,292,534
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets, not being depreciated/amortized	48,160,954	10,382,442	(40,960,138)	17,583,258
Capital assets, being depreciated/amortized:				
Buildings and improvements	336,201,614	4,834,856	40,960,138	381,996,608
Furniture and equipment	31,663,706	632,203	-	32,295,909
Right-to-use leased equipment	230,935	357,249	(49,441)	538,743
Right-to-use subscriptions*	115,008	68,932	-	183,940
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets, being depreciated/amortized	368,211,263	5,893,240	40,910,697	415,015,200
Less accumulated depreciation/amortization for:				
Buildings and improvements	(100,952,101)	(7,518,364)	-	(108,470,465)
Furniture and equipment	(22,115,076)	(2,975,602)	-	(25,090,678)
Right-to-use leased equipment	(117,162)	(177,638)	49,441	(245,359)
Right-to-use subscriptions*	-	(37,552)	-	(37,552)
	<hr/>	<hr/>	<hr/>	<hr/>
Total accumulated depreciation/amortization	(123,184,339)	(10,709,156)	49,441	(133,844,054)
Total capital assets, being depreciated/amortized, net	245,026,924	(4,815,916)	40,960,138	281,171,146
	<hr/>	<hr/>	<hr/>	<hr/>
Governmental activities capital assets, net	\$ 293,187,878	\$ 5,566,526	\$ -	\$ 298,754,404

* Right-to-use subscriptions have been adjusted to reflect a beginning balance upon adoption of GASB 96, *Subscription-Based Information Technology Arrangements*.

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

Governmental activities:	
11 Instruction	\$ 6,497,566
12 Instructional resources and media services	104,182
13 Curriculum and instructional staff development	119,633
21 Instructional leadership	275,748
23 School leadership	731,989
31 Guidance, counseling, and evaluation services	371,760
32 Social work services	48,390
33 Health services	103,241
34 Student transportation	363,370
35 Food services	318,250
36 Extracurricular activities	263,445
41 General administration	364,582
51 Plant maintenance and operations	782,863
52 Security and monitoring services	171,497
53 Data processing services	164,337
61 Community services	28,303
	<hr/>
Total depreciation/amortization expense-governmental activities	\$ 10,709,156

Texas City Independent School District

Notes to the Basic Financial Statements

Construction Commitments

The District has active construction projects as of August 31, 2023. The projects include the construction and equipment of school facilities. At year end, the District's commitments with contractors are as follows:

Project	Remaining Commitment
STEM Center	\$ 3,619,819
La Marque High School Replacement & New Stadium	3,139,175
Calvin Vincent ELCC	2,794,945
New Early Childhood Center	1,413,285
Texas City High School Auditorium Upgrades	390,808
Total	\$ 11,358,032

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

E. Long-term Liabilities

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

Changes in Long-term Liabilities

Long-term liability activity for the fiscal year ended August 31, 2023, was as follows:

	Beginning Balance	Additions (Adjustments)	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 175,370,000	\$ 131,390,000	\$ (15,865,000)	\$ 290,895,000	\$13,755,000
Issuance premiums	19,641,509	8,775,416	(1,532,250)	26,884,675	-
Total bonds payable	195,011,509	140,165,416	(17,397,250)	317,779,675	13,755,000
Workers' compensation	269,052	310,134	(173,663)	405,523	200,000
Lease liability	120,137	344,072	(167,692)	296,517	153,028
Subscriptions payable*	115,008	-	(28,380)	86,628	27,400
Compensated absences	1,066,284	232,575	(54,818)	1,244,041	106,000
Net pension liability	14,345,274	20,998,628	(2,898,901)	32,445,001	-
Net OPEB liability	28,662,818	544,640	(12,004,488)	17,202,970	-
Governmental activities long-term liabilities	\$ 239,590,082	\$ 162,595,465	\$ (32,725,192)	\$ 369,460,355	\$14,241,428

* Subscriptions payable has been adjusted to reflect a beginning balance upon adoption of GASB 96, *Subscription-Based Information Technology Arrangements*.

Texas City Independent School District

Notes to the Basic Financial Statements

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

General Obligation Bonds

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

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

Series	Interest Rate	Original Issue	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance
Series 2015 REF	2.00-5.00%	44,050,000	8/15/2030	\$ 29,405,000	\$ -	\$ (5,990,000)	\$ 23,415,000
Series 2017 REF	3.00-4.00%	8,900,000	8/15/2030	8,900,000	-	-	8,900,000
Series 2018 BLDG	3.50-5.00%	70,000,000	8/15/2048	57,960,000	-	(3,070,000)	54,890,000
Series 2019 BLDG & REF	3.125-5.00%	63,875,000	8/15/2049	57,450,000	-	(3,085,000)	54,365,000
Series 2020 REF	5.00%	13,365,000	8/15/2030	11,270,000	-	(1,180,000)	10,090,000
Series 2020A REF	2.00-4.00%	8,535,000	2/15/2025	6,480,000	-	(2,100,000)	4,380,000
Series 2021 REF	3.00%	4,300,000	2/15/2030	3,905,000	-	(440,000)	3,465,000
Series 2023 BLDG	4.0% - 5.0%	131,390,000	8/15/2053	-	131,390,000	-	131,390,000
Totals				\$ 175,370,000	\$ 131,390,000	\$ (15,865,000)	\$ 290,895,000

Texas City Independent School District
Notes to the Basic Financial Statements

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

Year Ending August 31,	Principal	Interest	Total Requirements
2024	\$ 13,755,000	\$ 14,610,733	\$ 28,365,733
2025	13,900,000	11,835,381	25,735,381
2026	12,870,000	11,216,356	24,086,356
2027	13,715,000	10,587,931	24,302,931
2028	13,575,000	9,931,555	23,506,555
2029	14,200,000	9,293,531	23,493,531
2030	14,270,000	8,719,007	22,989,007
2031	8,475,000	8,153,306	16,628,306
2032	8,025,000	7,729,556	15,754,556
2033	8,470,000	7,328,306	15,798,306
2034	8,830,000	6,942,806	15,772,806
2035	6,675,000	6,540,307	13,215,307
2036	6,970,000	6,236,656	13,206,656
2037	7,290,000	5,919,407	13,209,407
2038	7,615,000	5,587,405	13,202,405
2039	7,965,000	5,240,407	13,205,407
2040	8,330,000	4,889,957	13,219,957
2041	8,655,000	4,578,876	13,233,876
2042	8,995,000	4,252,182	13,247,182
2043	9,180,000	3,912,606	13,092,606
2044	9,545,000	3,555,250	13,100,250
2045	9,920,000	3,183,600	13,103,600
2046	10,320,000	2,786,800	13,106,800
2047	10,745,000	2,374,000	13,119,000
2048	11,165,000	1,944,200	13,109,200
2049	8,055,000	1,497,600	9,552,600
2050	6,920,000	1,175,400	8,095,400
2051	7,195,000	898,600	8,093,600
2052	7,485,000	610,800	8,095,800
2053	7,785,000	311,400	8,096,400
Totals	\$ 290,895,000	\$ 171,843,921	\$ 462,738,921

Texas City Independent School District

Notes to the Basic Financial Statements

As of August 31, 2023, the District has \$19,600,000 of authorized but unissued bonds from the November 2022 bond election.

The District defeased certain previously issued and outstanding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At August 31, 2023, the remaining outstanding defeased bonds to be called for redemption was \$2,875,000.

In April 2023, the District issued \$131,390,000 of Unlimited Tax School Building Bonds, Series 2023. Proceeds from the sale of the bonds will be used for designing, constructing, renovating, improving, upgrading, updating, acquiring, and equipping school facilities and sports stadiums (and any necessary and related removal of existing facilities) and the purchase of the necessary sites for school facilities.

Leases

The District has entered into multiple lease agreements as lessee. The leases allow the right-to-use postage meter and copiers over the term of the lease. The District is required to make quarterly payments at its incremental borrowing rate or the interest rate stated or implied within the leases. The lease rate, term and ending lease liability are as follows:

<u>Description</u>	<u>Interest Rate (%)</u>	<u>Liability at Commencement</u>	<u>Maturity Date</u>	<u>Ending Balance</u>
Postage Meter	0.582%	\$ 35,744	2027	\$ 21,539
Copiers	0.2847% -9.807%	552,442	2023-2027	274,978
		<u>\$ 588,186</u>		<u>\$ 296,517</u>

The future principal and interest lease payments as of fiscal year end are as follows:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2024	\$ 153,028	\$ 4,535	\$ 157,563
2025	108,748	1,607	110,355
2026	33,842	195	34,037
2027	899	7	906
Totals	<u>\$ 296,517</u>	<u>\$ 6,344</u>	<u>\$ 302,861</u>

The value of the right-to-use leased equipment as of the end of the current fiscal year was \$538,743 and had accumulated amortization of \$245,359.

Texas City Independent School District

Notes to the Basic Financial Statements

Subscription-Based Information Technology Arrangements (SBITA)

The District has entered into multiple SBITAs that allow the right-to-use the SBITA vendor's information technology software over the subscription term. The District is required to make annual payments at its incremental borrowing rate or the interest rate stated or implied within the SBITAs. The SBITA rate, term and ending subscription liability are as follows:

Description	Interest Rate (%)	Liability at Commencement	Maturity Date	Ending Balance
Software Subscription	2.11%	\$ 115,008	2026	\$ 86,628
		<u>\$ 115,008</u>		<u>\$ 86,628</u>

The future principal and interest SBITA payments as of fiscal year end are as follows:

Year Ending June 30,	Principal	Interest	Total Requirements
2024	\$ 27,400	\$ 1,830	\$ 29,230
2025	28,859	1,251	30,110
2026	<u>30,369</u>	<u>641</u>	<u>31,010</u>
Totals	<u>\$ 86,628</u>	<u>\$ 3,722</u>	<u>\$ 90,350</u>

The value of the subscription assets as of the end of the current fiscal year was \$183,940 and had accumulated amortization of \$37,552.

F. Fund Balance

Other assigned fund balance in the governmental funds as of August 31, 2023 is comprised of the following:

General fund - catastrophic events	\$ 20,000,000
General fund - campus activity	3,114,523
General fund - property value lawsuits/settlements	10,000,000
General fund - formula transition grant	5,388,512
General fund - purchases on order	<u>1,401,332</u>
Total other assigned fund balance	<u>\$ 39,904,367</u>

Texas City Independent School District

Notes to the Basic Financial Statements

G. Revenues from Local and Intermediate Sources

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

	General	Debt Service	Capital Projects	Nonmajor Funds	Totals
Property taxes	\$ 61,433,103	\$ 23,875,699	\$ -	\$ -	\$ 85,308,802
Investment earnings	3,666,518	1,563,874	2,680,317	64,465	7,975,174
Food service	-	-	-	349,868	349,868
Extracurricular student activities	171,687	-	-	1,277,036	1,448,723
Foreign trade zone tax equivalency payment	1,949,354	-	-	-	1,949,354
Chapter 313 payments	865,000	-	-	-	865,000
Other	1,707,377	-	236,583	11,500	1,955,460
Totals	\$ 69,793,039	\$ 25,439,573	\$ 2,916,900	\$ 1,702,869	\$ 99,852,381

Note 4. Other Information

A. Risk Management

Property/Liability

The District is exposed to various risks of loss related to property/liability losses and tax-assessor bond for which the District carries commercial insurance. In addition, the District participates in the Texas Association of School Board’s Risk Management Fund (Fund) for employees and official’s legal liability and vehicle coverage. The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund’s membership, obtain competitive costs for coverages and develop a comprehensive loss control program. The District pays an annual premium to the Fund for its liability coverage and transfers the risk of loss to the Fund. The District’s agreement with the Fund provides that the Fund will be self-sustaining through member premiums and may provide, through commercial companies, reinsurance contracts. In the event that the Fund was to discontinue operations, the member districts would be responsible for any eligible claims not funded by the Fund. In addition, there were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

Health Care Coverage

During the year ended August 31, 2023, employees of the District were covered by TRS-Active Care (the Plan) a statewide health coverage program for Texas public education employees, implemented by the Teacher Retirement System of Texas (TRS). The District paid premiums of \$300 per month, per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to the TRS. The legislature created the Plan for public school employee group health coverage in 2002-03, requiring all Districts with fewer than 500 employees to participate in the Plan.

Workers’ Compensation

During the year ended August 31, 2023, employees of the Texas City Independent School District were provided workers’ compensation benefits which were self-funded from accumulated assets provided directly by the District, the plan sponsor. The District is solely responsible for the cost of all claims, both reported and unreported. All claims were submitted, processed, and approved by a third party administrator acting as an agent for the District. The plan was documented by contractual agreement. The District was protected against unanticipated, catastrophic individual or aggregate loss by stop-loss coverage carried through Midwest Employers Casualty Company, which limited annual claims paid from the Plan for the fiscal year ended August 31, 2023, to \$350,000 per occurrence with a maximum level of indemnity of \$5,000,000.

Texas City Independent School District

Notes to the Basic Financial Statements

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

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities also include an estimated amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from stop-loss or subrogation, are another component of the claims liability estimate. An excess coverage insurance policy covers individual claims in excess of \$450,000 up to the statutory limits for any given claim. There were no significant reductions in insurance coverage from the prior year. Settlements have not exceeded coverages for each of the past two fiscal years. Changes in the balances of claims liabilities during the past two years are as follows:

	Year Ended 8/31/2023	Year Ended 8/31/2022
Unpaid claims, beginning of fiscal year	\$ 269,052	\$ 355,568
Incurred claims, including provision (adjustment) for IBNR	310,134	167,007
Claim payments	(173,663)	(253,523)
Unpaid claims, end of fiscal year	\$ 405,523	\$ 269,052

B. Litigation and Contingencies

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

The District participates in a number of federal and state financial assistance programs. Although the District’s grant programs have been audited in accordance with the provisions of the Single Audit Act through August 31, 2023, these programs are subject to financial and compliance audits by the grantor agencies. The District is also subject to audit by the TEA of the attendance data upon which payments from the agency are based. These audits could result in questioned costs or refunds to be paid back to the granting agencies.

C. Defined Benefit Pension Plan

Plan Description

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

Texas City Independent School District

Notes to the Basic Financial Statements

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

Pension Plan Fiduciary Net Position

Detailed information about the TRS’s fiduciary net position is available in a separately-issued Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at http://www.trs.texas.gov/Pages/about_archive_cafra.aspx; 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% (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 where the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member’s age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member’s age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic postemployment benefit changes, including automatic cost of living adjustments (COLAs). Ad hoc postemployment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as previously noted in the Plan Description above.

Contributions

Contribution requirements are established or amended pursuant to Article XVI, 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. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 through 2025.

Rates for such plan fiscal years are as follows:

	Contribution Rates	
	2023	2022
Member	8.00%	8.00%
Non-employer contributing entity (State)	8.00%	7.75%
Employers (District)	8.00%	7.75%

Texas City Independent School District
Notes to the Basic Financial Statements

The contribution amounts for the District’s fiscal year 2023 are as follows:

District contributions	\$ 3,205,946
Member contributions	5,410,320
NECE on-behalf contributions (State)	3,234,743

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.

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 the fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

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

In addition to the employer contributions listed above, there are two 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.
- Public education employer contribution – all public schools, charter schools and regional education service centers must contribute 1.7% of the member’s salary beginning in fiscal year 2022, gradually increasing to 2.0% in fiscal year 2025.

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

On August 31, 2023, the District reported a liability of \$32,445,001 for its proportionate share of the TRS’s net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District are as follows:

District’s proportionate share of the net pension liability	\$ 32,445,001
State’s proportionate share of the net pension liability associated with the District	<u>36,486,660</u>
Total	<u>\$ 68,931,661</u>

The net pension liability was measured as of August 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as August 31, 2021 rolled forward to August 31, 2022. The District’s proportion of the net pension liability was based on the District’s

Texas City Independent School District

Notes to the Basic Financial Statements

contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2021 through August 31, 2022.

At the measurement date of August 31, 2022, the District's proportion of the collective net pension liability was 0.0546512%, which was a decrease of 0.0016789% from its proportion measured as of August 31, 2021.

For the fiscal year ended August 31, 2023, the District recognized pension expense of \$7,130,776 and revenue of \$3,487,711 for support provided by the State.

On August 31, 2023, the District reported its proportionate share of the TRS' deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 470,450	\$ 707,362
Changes of assumptions	6,045,560	1,506,722
Difference between projected and actual earnings on pension plan investments	3,205,462	-
Changes in proportion and difference between District's contributions and the proportionate share of contributions	1,040,471	3,023,862
District contributions paid subsequent to the measurement date	<u>3,205,946</u>	<u>-</u>
Totals	<u>\$ 13,967,889</u>	<u>\$ 5,237,946</u>

\$3,205,946 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 August 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Year Ending August 31,</u>
2024	\$ 1,741,468
2025	333,390
2026	(225,363)
2027	3,326,744
2028	<u>347,758</u>
Totals	<u>\$ 5,523,997</u>

Texas City Independent School District

Notes to the Basic Financial Statements

Actuarial Methods and Assumptions

The actuarial valuation of the total pension liability was performed as of August 31, 2021. Update procedures were used to roll forward the total pension liability to August 31, 2022 and was determined using the following actuarial methods and assumptions:

Actuarial cost method	Individual entry age normal
Asset valuation method	Fair value
Single discount rate	7.00%
Long-term expected rate of return	7.00%
Municipal bond rate as of August 2022	3.91%. The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."
Last year ending August 31 in projection period (100 years)	2121
Inflation	2.30%
Salary increases	2.95% to 8.95% including inflation
Ad hoc postemployment benefit changes	None
Active mortality rates	The post-retirement mortality rates for healthy lives were based on the 2021 TRS of Texas Healthy Pensioner Mortality Tables with full generational projection using the ultimate improvement rates from the most recently published projection scale ("U-MP"). The active mortality rates were based on the published PUB(2010) Mortality Tables for Teachers, below median, also with full generational mortality.

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2021 and adopted in July 2022.

Texas City Independent School District

Notes to the Basic Financial Statements

Discount Rate and Long-term Expected Rate of Return

A single discount rate of 7.00% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.00%. The projection of cash flows used to determine the single discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity will be made at the rates set by the legislature in the 2019 session. It is assumed that future employer and state contributions will be 8.50 percent of payroll in fiscal year 2020 gradually increasing to 9.55 percent of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in TRS's target asset allocation as of August 31, 2022 are summarized below:

Asset Class	Target Allocation**	Long-term Expected Geometric Real Rate of Return***	Expected Contribution to Long-term Portfolio Returns
Global equity:			
U.S.	18.00%	4.60%	1.12%
Non-U.S. developed	13.00%	4.90%	0.90%
Emerging markets	9.00%	5.40%	0.75%
Private equity*	14.00%	7.70%	1.55%
Stable value:			
Government bonds	16.00%	1.00%	0.22%
Absolute return*	-	3.70%	-
Stable value hedge funds	5.00%	3.40%	0.18%
Real return:			
Real estate	15.00%	4.10%	0.94%
Energy, natural resources and infrastructure	6.00%	5.10%	0.37%
Commodities	-	3.60%	-
Risk parity:			
Risk parity	8.00%	4.60%	0.43%
Asset allocation leverage:			
Cash	2.00%	3.00%	0.01%
Asset allocation leverage cash	-6.00%	3.60%	-0.05%
Inflation expectation			2.70%
Volatility drag****			-0.91%
Total	100.00%		8.21%

* Absolute return includes credit sensitive investments.

** Target allocations are based on the FY 2022 policy model.

*** Capital market assumptions come from Aon Hewitt (as of 8/31/2022).

**** The volatility drag results from the conversion between arithmetic and geometric mean returns.

Texas City Independent School District

Notes to the Basic Financial Statements

Discount Rate Sensitivity Analysis

The following table presents the District’s proportionate share of the TRS net pension liability calculated using the discount rate of 7.00%, as well as what the District’s proportionate share of the net pension liability would be if it was calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District’s proportionate share of the net pension liability	\$ 50,472,120	\$ 32,445,001	\$ 17,833,175

Change of Assumptions Since the Prior Measurement Date

New assumptions were adopted in conjunction with an actuarial experience study since the prior measurement date that affected measurement of the total pension liability during the measurement period. The primary assumption change was the lowering of the single discount rate from 7.25 percent to 7.00 percent.

Change of Benefit Terms Since the Prior Measurement Date

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

D. Defined Other Post-Employment Benefit Plan

Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. TRS-Care was established in 1986 by the Texas Legislature and is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees in accordance with the Texas Insurance Code, Chapter 1575. The Board may adopt rules, plans, procedures and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

OPEB Plan Fiduciary Net Position

Detailed information about the TRS-Care’s fiduciary net position is available in the separately-issued TRS Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at http://www.trs.texas.gov/Pages/about_archive_cafra.aspx; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided

TRS-Care provides health insurance coverage to 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 non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. 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 of TRS 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.

Texas City Independent School District
Notes to the Basic Financial Statements

The premium rates for retirees are reflected in the following table:

TRS-Care Monthly Plan Premium Rates

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

Contributions

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

Texas Insurance Code, section 1575.202 establishes the State’s contribution rate which is 1.25% of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act.

Rates for such plan fiscal years are as follows:

	<u>Contribution Rates</u>	
	<u>2023</u>	<u>2022</u>
Active employee	0.65%	0.65%
Non-employer contribution entity (State)	1.25%	1.25%
Employers (District)	0.75%	0.75%
Federal/private funding*	1.25%	1.25%

*Contributions paid from federal funds and private grants are remitted by the employer (District) and paid at the State rate.

The contribution amounts for the District’s fiscal year 2023 are as follows:

District contributions	\$ 652,730
Member contributions	439,562
NECE on-behalf contributions (State)	744,699

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 hiring a TRS retiree, employers are required to pay TRS-Care a monthly surcharge of \$535 per retiree.

The State of Texas also contributed \$342,817, \$257,574, and \$282,313 in 2023, 2022, and 2021, respectively, for on-behalf payments for Medicare Part D.

Texas City Independent School District

Notes to the Basic Financial Statements

TRS-Care received a supplemental appropriation from the State of Texas as the Non-Employer Contributing Entity in the amount of \$83 million in fiscal year 2022 from the Federal Rescue Plan Act (ARPA) to help defray Covid-19 related health care costs during fiscal year 2022.

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

On August 31, 2023, the District reported a liability of \$17,202,970 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided by 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 are as follows:

District's proportionate share of the net OPEB liability	\$ 17,202,970
State's proportionate share of the net OPEB liability associated with the District	<u>20,984,920</u>
Total	<u><u>\$ 38,187,890</u></u>

The net OPEB liability was measured as of August 31, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as August 31, 2021 rolled forward to August 31, 2022. The District's proportion of the net OPEB liability was based on the District's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2021 through August 31, 2022.

At the measurement date of August 31, 2022, the employer's proportion of the collective net OPEB liability was 0.0718467%, which was a decrease of 0.0024585% from its proportion measured as of August 31, 2021.

GASB 75 requires the District to record OPEB expense for the amount of the State's proportionate share of collective OPEB expense that is associated with the District, and record revenue in the same amount for the support provided by the State. For the measurement period ended August 31, 2022, the State's proportionate share of the collective OPEB expense was a negative expense of \$1,867,177,302 and the portion of that amount that is associated with the District is a negative expense of \$2,977,930. This amount is recorded as a negative revenue and negative expense for the year ended June 30, 2023.

For the year ended August 31, 2023, the District recognized total negative OPEB expense of \$6,203,026, which includes both the District's proportionate share of collective OPEB expense and the portion of the State's proportionate share of collective OPEB expense that is associated with the District, as described above.

On August 31, 2023, the District reported its proportionate share of the TRS' deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 956,424	\$ 14,331,618
Changes of assumptions	2,620,353	11,951,600
Difference between projected and actual earnings on OPEB plan investments	51,243	-
Changes in proportion and difference between District's contributions and the proportionate share of contributions	59	5,703,478
District contributions paid subsequent to the measurement date	<u>652,730</u>	<u>-</u>
Totals	<u><u>\$ 4,280,809</u></u>	<u><u>\$ 31,986,696</u></u>

Texas City Independent School District

Notes to the Basic Financial Statements

\$652,730 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended August 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending August 31,</u>	
2024	\$ (5,182,481)
2025	(5,182,294)
2026	(4,452,776)
2027	(3,465,139)
2028	(3,525,514)
Thereafter	<u>(6,550,413)</u>
Total	<u>\$ (28,358,617)</u>

Actuarial Methods and Assumptions

The actuarial valuation of the total OPEB liability was performed as of August 31, 2021. Update procedures were used to roll forward the total OPEB liability to August 31, 2022.

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The following assumptions used for the valuation of the TRS-Care OPEB liability are identical to the assumptions employed in the August 31, 2021 TRS pension actuarial valuation that was rolled forward to August 31, 2022:

<u>Demographic Assumptions</u>	<u>Economic Assumptions</u>
Rates of mortality	General inflation
Rates of retirement	Wage inflation
Rates of termination	
Rates of disability	

See Note 4.C for detail on these assumptions. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables. The rates were projected on a fully generational basis using the ultimate improvement rates from mortality projection scale MP-2018.

The initial medical trend rates were 8.25% for Medicare retirees and 7.25% for non-Medicare retirees. There was an initial prescription drug trend rate of 8.25% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25 % over a period of 13 years.

Texas City Independent School District

Notes to the Basic Financial Statements

Healthcare Cost Trend Rates

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 14,175,324	\$ 17,202,970	\$ 21,127,922

Change of Assumptions Since the Prior Measurement Date

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 discount rate changed from 1.95% as of August 31, 2021 to 3.91% as of August 31, 2022. This change decreased the total OPEB liability.
- Lower participation rates and updates to the health care trend rate assumptions were also factors that decreased the total OPEB liability.

Change of Benefit Terms Since the Prior Measurement Date

There were no changes in benefit terms since the prior measurement date.

E. Nonmonetary Transactions

During 2023, the District received textbooks purchased by the State of Texas for the benefit of the District for a purchase price of \$85,253. The District receives the textbooks as part of state funding for textbook allotment. The textbooks have been recorded in the amount of \$85,253 in a special revenue fund as both state revenues and expenditures, which represents the amount of consideration given by the State of Texas.

F. Shared Service Arrangements

Galveston County Transforming Lives Cooperative Program

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

Texas City Independent School District

Notes to the Basic Financial Statements

Galveston-Brazoria Cooperation for the Deaf and Hard of Hearing (GBCDHH) and Regional Day School Program for the Deaf (RDSPD) Shared Services Arrangement

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

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Required Supplementary Information

Texas City Independent School District
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
General Fund
For the Fiscal Year Ended August 31, 2023

Data Control Codes		1	2	3	Variance with Final Budget
		Budgeted Amounts		Actual	Positive (Negative)
		Original	Final		
REVENUES:					
5700	Local and intermediate sources	\$ 68,427,754	\$ 71,481,254	\$ 69,793,039	\$ (1,688,215)
5800	State program revenues	24,264,588	24,264,588	39,440,820	15,176,232
5900	Federal program revenues	3,350,000	3,350,000	3,337,370	(12,630)
5020	Total revenues	96,042,342	99,095,842	112,571,229	13,475,387
EXPENDITURES:					
Current:					
0011	Instruction	42,977,929	46,647,509	46,132,266	515,243
0012	Instructional resources and media services	946,977	993,329	947,877	45,452
0013	Curriculum and instructional staff development	796,843	959,492	850,080	109,412
0021	Instructional leadership	1,172,922	1,277,339	1,233,299	44,040
0023	School leadership	5,304,976	5,849,558	5,794,824	54,734
0031	Guidance, counseling, and evaluation services	2,459,185	2,533,281	2,476,508	56,773
0032	Social work services	161,977	153,377	150,700	2,677
0033	Health services	834,353	881,792	848,182	33,610
0034	Student transportation	3,330,977	3,574,174	3,413,927	160,247
0036	Extracurricular activities	2,698,229	3,817,363	3,647,314	170,049
0041	General administration	3,396,759	4,095,916	3,891,285	204,631
0051	Plant maintenance and operations	15,441,236	20,009,257	18,369,191	1,640,066
0052	Security and monitoring services	3,029,276	4,564,426	3,747,234	817,192
0053	Data processing services	2,751,457	3,876,425	3,250,631	625,794
0061	Community services	22,930	32,530	30,793	1,737
Debt services:					
0071	Principal on long-term debt	-	323,077	196,072	127,005
0072	Interest on long-term debt	-	9,675	9,675	-
Capital outlay:					
0081	Facilities acquisition and construction	74,757	97,357	335,512	(238,155)
Intergovernmental:					
0091	Contracted instructional services between schools	991,466	1,041,466	826,620	214,846
0093	Payments related shares services arrangements	209,370	354,870	348,195	6,675
0099	Other intergovernmental charges	675,105	675,105	566,183	108,922
6030	Total expenditures	87,276,724	101,767,318	97,066,368	4,700,950
1100	Excess (deficiency) of revenues over expenditures	8,765,618	(2,671,476)	15,504,861	18,176,337
OTHER FINANCING SOURCES (USES):					
7913	Issuance of leases	-	344,072	344,072	-
8911	Transfers out	-	(6,763,292)	(6,763,292)	-
7080	Total other financing sources (uses)	-	(6,419,220)	(6,419,220)	-
1200	Net change in fund balance	8,765,618	(9,090,696)	9,085,641	18,176,337
0100	Fund balance - beginning	98,864,670	98,864,670	98,864,670	-
3000	FUND BALANCE - ENDING	\$ 107,630,288	\$ 89,773,974	\$ 107,950,311	\$ 18,176,337

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

Texas City Independent School District

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

Year	District's Proportion of Net Pension Liability	District's Proportionate Share of the Net Pension Liability	State's Proportionate Share of the Net Pension Liability Associated with the District	Total	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2023	0.0546512%	\$ 32,445,001	\$ 36,486,660	\$ 68,931,661	\$ 62,824,635	51.64%	75.62%
2022	0.0563301%	14,345,274	18,961,743	33,307,017	63,068,555	22.75%	88.79%
2021	0.0587682%	31,475,062	39,734,373	71,209,435	63,026,972	49.94%	75.54%
2020	0.0614157%	31,925,778	38,262,365	70,188,143	60,668,699	52.62%	75.24%
2019	0.0619939%	34,122,953	45,031,447	79,154,400	60,458,695	56.44%	73.74%
2018	0.0670813%	21,448,971	25,889,561	47,338,532	60,256,723	35.60%	82.17%
2017	0.0536378%	20,268,931	28,937,450	49,206,381	50,996,372	39.75%	78.00%
2016	0.0551546%	19,496,417	29,089,883	48,586,300	50,195,373	38.84%	78.43%
2015	0.0370889%	9,906,958	25,393,310	35,300,268	45,436,168	21.80%	83.25%

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

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

<u>Year</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>District's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2023	\$ 3,205,947	\$ (3,205,947)	\$ -	\$ 67,641,109	4.74%
2022	2,544,181	(2,544,181)	-	62,824,635	4.05%
2021	2,403,746	(2,403,746)	-	63,068,555	3.81%
2020	2,424,798	(2,424,798)	-	63,026,972	3.85%
2019	2,117,225	(2,117,225)	-	60,668,699	3.49%
2018	2,087,351	(2,087,351)	-	60,458,695	3.45%
2017	2,198,532	(2,198,532)	-	60,256,723	3.65%
2016	1,702,088	(1,702,088)	-	50,996,372	3.34%
2015	1,633,154	(1,633,154)	-	50,195,373	3.25%

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

Texas City Independent School District

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

<u>Year</u>	<u>District's Proportion of Net OPEB Liability</u>	<u>District's Proportionate Share of the Net OPEB Liability</u>	<u>State's Proportionate Share of the Net OPEB Liability Associated with the District</u>	<u>Total</u>	<u>District's Covered Payroll</u>	<u>District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</u>
2023	0.0718467%	\$ 17,202,970	\$ 20,984,920	\$ 38,187,890	\$ 62,824,635	27.38%	11.52%
2022	0.0743052%	28,662,818	38,401,788	67,064,606	63,068,555	45.45%	6.18%
2021	0.0796850%	29,259,184	39,317,329	68,576,513	63,026,972	46.42%	4.99%
2020	0.0793049%	37,504,239	49,834,747	87,338,986	60,668,699	61.82%	2.66%
2019	0.0824790%	41,182,504	48,954,608	90,137,112	60,458,695	68.12%	1.57%
2018	0.0862308%	37,498,549	44,689,617	82,188,166	60,256,723	62.23%	0.91%

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

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

Year	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2023	\$ 652,730	\$ (652,730)	\$ -	\$ 67,641,109	0.96%
2022	587,715	(587,715)	-	62,824,635	0.94%
2021	580,488	(580,488)	-	63,068,555	0.92%
2020	585,018	(585,018)	-	63,026,972	0.93%
2019	594,237	(594,237)	-	60,668,699	0.98%
2018	569,522	(569,522)	-	60,458,695	0.94%

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

Texas City Independent School District
Notes to the Required Supplementary Information

Note 1. Budget

A. Budgetary Information

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

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

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

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

B. Excess of Expenditures Over Appropriations

For the fiscal year ended August 31, 2023 expenditures exceeded appropriations in the general fund due to construction costs incurred during the year but were paid after year-end.

<u>Fund</u>	<u>Function</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General fund	81	\$ 97,357	\$ 335,512	\$ (238,155)

Texas City Independent School District
Notes to the Required Supplementary Information

Note 2. Net Pension Liability and Net OPEB Liability

The following factors significantly affect trends in the amounts reported for the District’s proportionate share of the net pension liability and net OPEB liability:

Changes in Actuarial Assumptions and Inputs

Measurement Date August 31,	Net Pension Liability		Net OPEB Liability
	Discount Rate	Long-term Expected Rate of Return	Discount Rate
2022	7.000%	7.000%	3.910%
2021	7.250%	7.250%	1.950%
2020	7.250%	7.250%	2.330%
2019	7.250%	7.250%	2.630%
2018	6.907%	7.250%	3.690%
2017	8.000%	8.000%	3.420%
2016	8.000%	8.000%	
2015	8.000%	8.000%	
2014	8.000%	8.000%	

Changes in Demographic and Economic Assumptions

For measurement date August 31, 2018 – Net Pension Liability and Net OPEB Liability:

- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement and economic assumptions, including rates of salary increase for individual participants were updated based on the experience study performed for TRS for the period ending August 31, 2017.

Changes in Benefit Terms

For measurement date August 31, 2018 – Net OPEB Liability:

- Changes of benefit terms were made effective September 1, 2017 by the 85th Texas Legislature.

Other Changes

For measurement date August 31, 2022 – Net OPEB Liability:

- The participation rate for pre-65 retirees was lowered from 65% to 62%. The participation rate for post-65 retirees was lowered from 40% to 25%.

For measurement date August 31, 2020 – Net OPEB Liability:

- The participation rate for pre-65 retirees was lowered from 50% to 40%. This change decreased the total OPEB liability.
- The ultimate healthcare trend rate assumption decreased to reflect the repeal of the excise (Cadillac) tax on high-cost employer health plans.

Texas City Independent School District

Notes to the Required Supplementary Information

For measurement date August 31, 2019 – Net Pension Liability:

- With the enactment of SB3 by the 2019 Texas Legislature, an assumption was made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected based on the actuarial assumptions.

For measurement date August 31, 2019 – Net OPEB Liability:

- The participation rate for pre-65 retirees was lowered from 70% to 65%. The participation rate for post-65 retirees was lowered from 75% to 50%. 25% of pre-65 retirees are assumed to discontinue their coverage at age 65.
- The trend rates were reset to better reflect the plan's anticipated experience.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20% to 15%. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20% to 10%.

For measurement date August 31, 2018 – Net OPEB Liability:

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020.

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Supplementary Information

Texas City Independent School District
Combining Balance Sheet
Nonmajor Governmental Funds
Special Revenue Funds
August 31, 2023

	204	205	206
Data Control Codes	Title IV, Part A, Subpart 1	Head Start	ESSA, Title X, Part C - Education for the Homeless Children and Youth
ASSETS			
1110 Cash and cash equivalents	\$ -	\$ -	\$ -
1120 Investments	-	-	-
1240 Due from other governments	5,626	292,947	4,607
1260 Due from other funds	-	-	-
1300 Inventories	-	-	-
1410 Prepaid items	14,359	-	-
1000 TOTAL ASSETS	<u>\$ 19,985</u>	<u>\$ 292,947</u>	<u>\$ 4,607</u>
LIABILITIES			
2110 Accounts payable	\$ 2,745	\$ 5,496	\$ 112
2150 Payroll and withholdings	-	10,330	308
2170 Due to other funds	17,240	277,121	4,187
2300 Unearned revenue	-	-	-
2000 Total liabilities	19,985	292,947	4,607
FUND BALANCES			
3410 Nonspendable - inventories	-	-	-
3450 Restricted - grants	-	-	-
3490 Restricted - scholarships	-	-	-
3545 Committed - campus activity	-	-	-
3000 Total fund balances	-	-	-
4000 TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 19,985</u>	<u>\$ 292,947</u>	<u>\$ 4,607</u>

Exhibit H-1
(Page 1 of 3)

211	214	224	225	226	240	244
ESSA Title I, Part A - Improving Basic Programs	Title I, 1003 School Improvement	IDEA - B Formula	IDEA - B Preschool Grant	IDEA - B High Cost Risk Pool	National School Breakfast/Lunch Program	Career and Technical Basic Grant
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 424,766	\$ -
-	-	-	-	-	1,999,929	-
554,327	26,003	261,820	4,762	-	370,504	2,675
-	-	-	-	-	469	-
-	-	-	-	-	96,118	-
-	-	-	-	-	-	-
<u>\$ 554,327</u>	<u>\$ 26,003</u>	<u>\$ 261,820</u>	<u>\$ 4,762</u>	<u>\$ -</u>	<u>\$ 2,891,786</u>	<u>\$ 2,675</u>
\$ 24,392	\$ 2,449	\$ -	\$ -	\$ -	\$ 239,450	\$ -
15,356	-	11,527	-	-	4,225	-
514,579	23,554	250,293	4,762	-	34,993	2,675
-	-	-	-	-	-	-
554,327	26,003	261,820	4,762	-	278,668	2,675
-	-	-	-	-	96,118	-
-	-	-	-	-	2,517,000	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	2,613,118	-
<u>\$ 554,327</u>	<u>\$ 26,003</u>	<u>\$ 261,820</u>	<u>\$ 4,762</u>	<u>\$ -</u>	<u>\$ 2,891,786</u>	<u>\$ 2,675</u>

Texas City Independent School District
Combining Balance Sheet
Nonmajor Governmental Funds
Special Revenue Funds - Continued
August 31, 2023

<u>Data Control Codes</u>	255	263	265
	<u>ESSA Title II, Part A: Teacher & Principal Training & Recruiting</u>	<u>Title III, Part A, English Language Acquisition and Enhancement</u>	<u>Title IV, Part B - 21st Century Community Learning Centers</u>
ASSETS			
1110 Cash and cash equivalents	\$ -	\$ -	\$ -
1120 Investments	-	-	-
1240 Due from other governments	144,355	26,481	629,048
1260 Due from other funds	-	-	-
1300 Inventories	-	-	-
1410 Prepaid items	302,535	-	3,296
1000 TOTAL ASSETS	<u>\$ 446,890</u>	<u>\$ 26,481</u>	<u>\$ 632,344</u>
LIABILITIES			
2110 Accounts payable	\$ 12,061	\$ 845	\$ 60,610
2150 Payroll and withholdings	1,071	161	11,874
2170 Due to other funds	433,758	25,475	559,860
2300 Unearned revenue	-	-	-
2000 Total liabilities	446,890	26,481	632,344
FUND BALANCES			
3410 Nonspendable - inventories	-	-	-
3450 Restricted - grants	-	-	-
3490 Restricted - scholarships	-	-	-
3545 Committed - campus activity	-	-	-
3000 Total fund balances	-	-	-
4000 TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 446,890</u>	<u>\$ 26,481</u>	<u>\$ 632,344</u>

278	279	280	281	284	285	289
ARP ESSER - Homeless Children and Youth	TCLAS —State ESSER III Funds	ARP Homeless II - Homeless Children and Youth	ESSER II CRRSA	IDEA - Part B, Formula - ARP Act	IDEA - Part B, Preschool - ARP Act	Federally Funded Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
43,488	37,866	18,112	1,645,961	386,939	17,380	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	77,561	-	-	-
<u>\$ 43,488</u>	<u>\$ 37,866</u>	<u>\$ 18,112</u>	<u>\$ 1,723,522</u>	<u>\$ 386,939</u>	<u>\$ 17,380</u>	<u>\$ -</u>
\$ 399	\$ -	\$ -	\$ 37,352	\$ -	\$ -	\$ -
274	24	988	47,149	-	421	-
42,815	37,842	17,124	1,639,021	386,939	16,959	-
-	-	-	-	-	-	-
43,488	37,866	18,112	1,723,522	386,939	17,380	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 43,488</u>	<u>\$ 37,866</u>	<u>\$ 18,112</u>	<u>\$ 1,723,522</u>	<u>\$ 386,939</u>	<u>\$ 17,380</u>	<u>\$ -</u>

Texas City Independent School District
Combining Balance Sheet
Nonmajor Governmental Funds
Special Revenue Funds - Continued
August 31, 2023

		410	424	426
Data Control Codes		State Textbook Fund	Silent Panic Alert	School Safety Standards
ASSETS				
1110	Cash and cash equivalents	\$ -	\$ -	\$ -
1120	Investments	63,850	-	-
1240	Due from other governments	-	20,273	33,059
1260	Due from other funds	-	-	-
1300	Inventories	-	-	-
1410	Prepaid items	-	-	-
1000	TOTAL ASSETS	<u>\$ 63,850</u>	<u>\$ 20,273</u>	<u>\$ 33,059</u>
LIABILITIES				
2110	Accounts payable	\$ -	\$ 11,973	\$ 1,267
2150	Payroll and withholdings	-	-	-
2170	Due to other funds	-	8,300	31,792
2300	Unearned revenue	-	-	-
2000	Total liabilities	-	20,273	33,059
FUND BALANCES				
3410	Nonspendable - inventories	-	-	-
3450	Restricted - grants	63,850	-	-
3490	Restricted - scholarships	-	-	-
3545	Committed - campus activity	-	-	-
3000	Total fund balances	<u>63,850</u>	<u>-</u>	<u>-</u>
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 63,850</u>	<u>\$ 20,273</u>	<u>\$ 33,059</u>

428	429	461	468	469	480	
Early College High Schools Planning and Implementation	Other State Funded Grants	Campus Activity Fund	Student Scholarship Fund	Heatherington Scholarship	Teacher Stipends	Total Nonmajor Funds (See Exhibit C-1)
\$ -	\$ -	\$ 93,486	\$ 89,940	\$ 39,382	\$ 57,802	\$ 705,376
-	-	904,803	-	-	12,240	2,980,822
11,804	89,633	-	-	-	-	4,627,670
-	-	-	-	-	-	469
-	-	-	-	-	-	96,118
-	-	-	-	-	-	397,751
<u>\$ 11,804</u>	<u>\$ 89,633</u>	<u>\$ 998,289</u>	<u>\$ 89,940</u>	<u>\$ 39,382</u>	<u>\$ 70,042</u>	<u>\$ 8,808,206</u>
\$ 4,050	\$ 6,330	\$ 42,763	\$ -	\$ -	\$ -	\$ 452,294
-	-	-	-	-	-	103,708
7,754	80,503	-	-	-	-	4,417,546
-	2,800	-	-	-	70,042	72,842
11,804	89,633	42,763	-	-	70,042	5,046,390
-	-	-	-	-	-	96,118
-	-	-	-	-	-	2,580,850
-	-	-	89,940	39,382	-	129,322
-	-	955,526	-	-	-	955,526
-	-	955,526	89,940	39,382	-	3,761,816
<u>\$ 11,804</u>	<u>\$ 89,633</u>	<u>\$ 998,289</u>	<u>\$ 89,940</u>	<u>\$ 39,382</u>	<u>\$ 70,042</u>	<u>\$ 8,808,206</u>

Texas City Independent School District
 Combining Statement of Revenues, Expenditures, and
 Changes in Fund Balances
 Nonmajor Governmental Funds
 Special Revenue Funds
 For the Fiscal Year Ended August 31, 2023

Data Control Codes		204	205	206
		Title IV, Part A, Subpart 1	Head Start	ESSA, Title X, Part C - Education for the Homeless Children and Youth
REVENUES				
5700	Local and intermediate sources	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-
5900	Federal program revenues	161,008	1,716,019	55,195
5020	Total revenues	161,008	1,716,019	55,195
EXPENDITURES				
Current:				
0011	Instruction	161,008	1,165,918	14,682
0012	Instructional resources and media services	-	-	-
0013	Curriculum and instructional staff development	-	175,831	-
0021	Instructional leadership	-	2,000	-
0023	School leadership	-	103,214	-
0031	Guidance, counseling, and evaluation services	-	-	-
0032	Social work services	-	-	40,513
0033	Health services	-	67,708	-
0034	Student transportation	-	4,755	-
0035	Food services	-	-	-
0036	Extracurricular activities	-	-	-
0041	General administration	-	-	-
0051	Plant maintenance and operations	-	-	-
0052	Security and monitoring services	-	44,865	-
0053	Data processing services	-	-	-
0061	Community services	-	151,728	-
6030	Total expenditures	161,008	1,716,019	55,195
1200	Net change in fund balances	-	-	-
0100	Fund balances - beginning	-	-	-
3000	FUND BALANCES - ENDING	\$ -	\$ -	\$ -

Exhibit H-2
(Page 1 of 3)

211	214	224	225	226	240	244
ESSA Title I, Part A - Improving Basic Programs	Title I, 1003 School Improvement	IDEA - B Formula	IDEA - B Preschool Grant	IDEA - B High Cost Risk Pool	National School Breakfast/Lunch Program	Career and Technical Basic Grant
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 414,333	\$ -
-	-	-	-	-	61,171	-
2,238,759	32,221	1,433,421	56,436	108,255	6,909,944	123,207
2,238,759	32,221	1,433,421	56,436	108,255	7,385,448	123,207
2,036,989	32,221	1,100,127	56,436	108,255	-	123,207
2,100	-	-	-	-	-	-
57,602	-	-	-	-	-	-
-	-	-	-	-	-	-
4,009	-	49,280	-	-	-	-
-	-	284,014	-	-	-	-
138,059	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	6,559,183	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
2,238,759	32,221	1,433,421	56,436	108,255	6,559,183	123,207
-	-	-	-	-	826,265	-
-	-	-	-	-	1,786,853	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,613,118	\$ -

Texas City Independent School District
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Special Revenue Funds - Continued
For the Fiscal Year Ended August 31, 2023

<u>Data Control Codes</u>	255	263	265
	ESSA Title II, Part A: Teacher & Principal Training & Recruiting	Title III, Part A, English Language Acquisition and Enhancement	Title IV, Part B - 21st Century Community Learning Centers
REVENUES			
5700 Local and intermediate sources	\$ -	\$ -	\$ -
5800 State program revenues	-	-	-
5900 Federal program revenues	331,028	53,183	2,870,704
5020 Total revenues	331,028	53,183	2,870,704
EXPENDITURES			
Current:			
0011 Instruction	45,229	40,982	1,594,762
0012 Instructional resources and media services	-	-	-
0013 Curriculum and instructional staff development	285,799	12,201	4,246
0021 Instructional leadership	-	-	1,103,634
0023 School leadership	-	-	87,702
0031 Guidance, counseling, and evaluation services	-	-	-
0032 Social work services	-	-	-
0033 Health services	-	-	-
0034 Student transportation	-	-	17,732
0035 Food services	-	-	-
0036 Extracurricular activities	-	-	-
0041 General administration	-	-	-
0051 Plant maintenance and operations	-	-	-
0052 Security and monitoring services	-	-	-
0053 Data processing services	-	-	-
0061 Community services	-	-	62,628
6030 Total expenditures	331,028	53,183	2,870,704
1200 Net change in fund balances	-	-	-
0100 Fund balances - beginning	-	-	-
3000 FUND BALANCES - ENDING	\$ -	\$ -	\$ -

Exhibit H-2
(Page 2 of 3)

278	279	280	281	284	285	289
ARP ESSER - Homeless Children and Youth	TCLAS —State ESSER III Funds	ARP Homeless II - Homeless Children and Youth	ESSER II CRRSA	IDEA - Part B, Formula - ARP Act	IDEA - Part B, Preschool - ARP Act	Federally Funded Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
43,488	142,378	45,743	4,868,746	386,939	17,380	7,316
43,488	142,378	45,743	4,868,746	386,939	17,380	7,316
-	3,122	-	3,787,379	386,939	17,380	7,316
-	-	-	-	-	-	-
-	7,837	-	520,875	-	-	-
-	131,419	-	-	-	-	-
-	-	-	41,760	-	-	-
-	-	-	360,508	-	-	-
43,488	-	45,743	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	42,058	-	-	-
-	-	-	24,830	-	-	-
-	-	-	-	-	-	-
-	-	-	91,336	-	-	-
-	-	-	-	-	-	-
43,488	142,378	45,743	4,868,746	386,939	17,380	7,316
-	-	-	-	-	-	-
-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Texas City Independent School District
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Special Revenue Funds - Continued
For the Fiscal Year Ended August 31, 2023

		410	424	426
Data Control Codes		State Textbook Fund	Silent Panic Alert	School Safety Standards
REVENUES				
5700	Local and intermediate sources	\$ -	\$ -	\$ -
5800	State program revenues	330,543	20,273	33,059
5900	Federal program revenues	-	-	-
5020	Total revenues	330,543	20,273	33,059
EXPENDITURES				
Current:				
0011	Instruction	337,224	8,300	-
0012	Instructional resources and media services	-	-	-
0013	Curriculum and instructional staff development	-	-	-
0021	Instructional leadership	-	-	-
0023	School leadership	-	-	-
0031	Guidance, counseling, and evaluation services	-	-	-
0032	Social work services	-	-	-
0033	Health services	-	-	-
0034	Student transportation	-	-	-
0035	Food services	-	-	-
0036	Extracurricular activities	-	-	-
0041	General administration	-	-	-
0051	Plant maintenance and operations	-	-	-
0052	Security and monitoring services	-	11,973	33,059
0053	Data processing services	-	-	-
0061	Community services	-	-	-
6030	Total expenditures	337,224	20,273	33,059
1200	Net change in fund balances	(6,681)	-	-
0100	Fund balances - beginning	70,531	-	-
3000	FUND BALANCES - ENDING	\$ 63,850	\$ -	\$ -

Exhibit H-2
 (Page 3 of 3)

428	429	461	468	469	480	
Early College High Schools Planning and Implementation	Other State Funded Grants	Campus Activity Fund	Student Scholarship Fund	Heatherington Scholarship	Teacher Stipends	Total Nonmajor Funds (See Exhibit C-2)
\$ -	\$ -	\$ 1,271,591	\$ 11,500	\$ -	\$ 5,445	\$ 1,702,869
11,804	89,633	-	-	-	-	546,483
-	-	-	-	-	-	21,601,370
11,804	89,633	1,271,591	11,500	-	5,445	23,850,722
11,804	76,273	868,321	13,500	-	5,445	12,002,819
-	-	39,044	-	-	-	41,144
-	13,360	-	-	-	-	1,077,751
-	-	-	-	-	-	1,237,053
-	-	31,159	-	-	-	317,124
-	-	-	-	-	-	644,522
-	-	-	-	-	-	267,803
-	-	1,612	-	-	-	69,320
-	-	-	-	-	-	22,487
-	-	-	-	-	-	6,559,183
-	-	176,984	-	-	-	176,984
-	-	-	-	-	-	42,058
-	-	118	-	-	-	24,948
-	-	-	-	-	-	89,897
-	-	28,438	-	-	-	119,774
-	-	65,694	-	-	-	280,050
11,804	89,633	1,211,370	13,500	-	5,445	22,972,917
-	-	60,221	(2,000)	-	-	877,805
-	-	895,305	91,940	39,382	-	2,884,011
\$ -	\$ -	\$ 955,526	\$ 89,940	\$ 39,382	\$ -	\$ 3,761,816

Texas City Independent School District
Schedule of Delinquent Taxes Receivable
For The Fiscal Year Ended August 31, 2023

Year Ended August 31,	Tax Rates		3 Assessed/Appraised Value For School Tax Purposes
	1	2	
	Maintenance	Debt Service	
2014 and prior years	\$ Various	\$ Various	\$ Various
2015	1.040000	0.221600	3,960,387,445
2016	1.040000	0.259800	5,032,695,549
2017	1.170000	0.270500	4,538,847,275
2018	1.170000	0.264900	4,618,250,749
2019	1.170000	0.344900	4,847,800,053
2020	1.068350	0.344900	5,226,178,595
2021	1.015800	0.344900	5,589,417,506
2022	1.013400	0.337900	5,624,671,798
2023	0.942900	0.368400	6,492,445,845

1000 TOTALS

8000 - Taxes refunded under section 26.1115, tax code, for owners who received an exemption as provided by section 11.42(f), tax code

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

10 Beginning Balance 9/1/2022	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/2023
\$ 1,650,342	\$ -	\$ 85,571	\$ 18,924	\$ (50,932)	\$ 1,494,915
147,957	-	12,849	3,089	(1,435)	130,584
171,499	-	17,698	3,744	(1,419)	148,638
239,152	-	29,354	6,518	(2,265)	201,015
299,032	-	51,402	11,638	(2,325)	233,667
356,170	-	62,603	18,455	(4,028)	271,084
425,709	-	90,764	29,294	(1,492)	304,159
680,479	-	114,865	39,001	(67,926)	458,687
1,705,757	-	333,124	111,074	(310,371)	951,188
-	85,135,442	59,854,308	23,385,648	-	1,895,486
<u>\$ 5,676,097</u>	<u>\$ 85,135,442</u>	<u>\$ 60,652,538</u>	<u>\$ 23,627,385</u>	<u>\$ (442,193)</u>	<u>\$ 6,089,423</u>
		\$ 60,261	\$ -		
		\$ -	\$ -		

Texas City Independent School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance – Budget and Actual
National School Breakfast and Lunch Program
For the Fiscal Year Ended August 31, 2023

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
REVENUES					
5700	Local and intermediate sources	\$ 279,972	\$ 279,972	\$ 414,333	\$ 134,361
5800	State program revenues	199,388	199,388	61,171	(138,217)
5900	Federal program revenues	5,711,733	5,751,733	6,909,944	1,158,211
5020	Total revenues	6,191,093	6,231,093	7,385,448	1,154,355
EXPENDITURES					
Current:					
0035	Food services	6,193,988	7,183,988	6,559,183	624,805
6030	Total expenditures	6,193,988	7,183,988	6,559,183	624,805
1200	Net change in fund balance	(2,895)	(952,895)	826,265	1,779,160
0100	Fund balance - beginning	1,786,853	1,786,853	1,786,853	-
3000	FUND BALANCE - ENDING	<u>\$ 1,783,958</u>	<u>\$ 833,958</u>	<u>\$ 2,613,118</u>	<u>\$ 1,779,160</u>

Texas City Independent School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance – Budget and Actual
Debt Service Fund
For the Fiscal Year Ended August 31, 2023

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
REVENUES					
5700	Local and intermediate sources	\$ 23,786,057	\$ 25,286,057	\$ 25,439,573	\$ 153,516
5800	State program revenues	-	822,324	704,018	(118,306)
5020	Total revenues	23,786,057	26,108,381	26,143,591	35,210
EXPENDITURES					
Debt service:					
0071	Principal on long-term debt	16,125,000	15,937,875	15,865,000	72,875
0072	Interest on long-term debt	7,646,057	7,646,057	7,399,131	246,926
0073	Issuance costs and fees	15,000	1,364,041	1,364,040	1
6030	Total expenditures	23,786,057	24,947,973	24,628,171	319,802
1100	Excess (deficiency) of revenues over expenditures	-	1,160,408	1,515,420	355,012
OTHER FINANCING SOURCES (USES)					
7916	Premium or discount on issuance of bonds	-	1,165,416	1,165,416	-
7080	Total other financing sources (uses)	-	1,165,416	1,165,416	-
1200	Net change in fund balance	-	2,325,824	2,680,836	355,012
0100	Fund balance - beginning	15,722,408	15,722,408	15,722,408	-
3000	FUND BALANCE - ENDING	\$ 15,722,408	\$ 18,048,232	\$ 18,403,244	\$ 355,012

Texas City Independent School District
Use of Funds Report – Select State Allotment
August 31, 2023

<u>Data Codes</u>		<u>Responses</u>
<u>Section A: Compensatory Education Programs</u>		
AP1	Did your LEA expend any state compensatory education program state allotment funds during the District's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the District's fiscal year.	\$ 10,259,000
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28, 29, 30, 34)	\$ 5,650,531
<u>Section B: Bilingual Education Programs</u>		
AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$ 539,268
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25, 35)	\$ 312,960

Overall Compliance, Internal Control Section and Federal Awards

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Texas City Independent School District (the District) as of and for the year ended August 31, 2023, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 12, 2023.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Board of Trustees of
Texas City Independent School District

Purpose of this Report

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

WEAVER AND TIDWELL, L.L.P.

Houston, Texas
December 12, 2023

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Texas City Independent School District's (the District) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2023. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

The Board of Trustees of
Texas City Independent School District

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform procedures responsive to those risks. Such procedures include examining, on a test basis, evidence about the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2020-003. Our opinion on each major federal program is not modified with respect to these matters. *Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the noncompliance findings identified in our audit described in the accompanying Corrective Action Plan. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

The Board of Trustees of
Texas City Independent School District

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-001 to be a significant deficiency. *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 audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other 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.

WEAVER AND TIDWELL, L.L.P.

Houston, Texas
January 10, 2023

Texas City Independent School District
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended August 31, 2023

Section 1. Summary of Auditor’s Results

Financial Statements

- 1. Type of auditor’s report issued Unmodified
- 2. Internal control over financial reporting:
 - a. Material weakness(es) identified? No
 - b. Significant deficiency(ies) identified that are not considered to be material weaknesses? None reported
- 3. Noncompliance material to financial statements noted? No

Federal Awards

- 4. Internal control over major programs:
 - a. Material weakness(es) identified? No
 - b. Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes
- 5. Type of auditor’s report issued on compliance with major programs Unmodified
- 6. Any Audit Findings Disclosed that are required to be reported in accordance with Uniform Guidance? Yes
- 7. Identification of major programs 21st Century 84.287C
Special Education Cluster 84.027, 84.173
Education Stabilization Fund 84.425D, 84.425U, 84.425W
Head Start Cluster 93.600
- 8. Dollar threshold used to distinguish between Type A and Type B federal programs \$853,142
- 9. Auditee qualified as a low-risk auditee? No

Section 2. Financial Statement Findings

None reported

Texas City Independent School District
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended August 31, 2023

Section 3. Federal Award Findings and Questioned Costs

Finding 2023-001

Information on Federal Program:

Assistance Listing 93.600 – Head Start Cluster

United States Department of Health and Human Services

Award Number: 06CH010751-04/05

Compliance Requirements: Reporting

Type of Finding: Significant Deficiency in Internal Control Over Compliance

Criteria

As a condition of receiving Federal awards, non-Federal entities agree to comply with laws, regulations and the provisions of grant agreements and contracts, and to maintain internal control to provide reasonable assurance of compliance with these requirements.

The Department of Health and Human Services established “reporting” compliance requirement applicable to the Head Start Cluster which stipulates that recipients submit special reporting related to real property subject to the terms and conditions of the contract.

Condition

During the fiscal year ended August 31, 2023, the District did not have effective internal controls over compliance with the reporting requirement described above. The District was delinquent in its submission to the granting agency of its annual form SF-429 for Head Start.

Cause

The District did not have adequately designed controls in place to ensure compliance with the reporting requirement.

Effect or Potential Effect

The lack of effective controls creates an environment in which errors could go undetected.

Context

The District failed to submit the annual SF-429 report for the reporting period ending November 30, 2022 in a timely manner and the report is delinquent.

Repeat Finding

Repeat finding of 2022-004

Recommendation

We recommend that the District review its internal controls over compliance to ensure controls are suitably designed and are in place to prevent, or detect and correct, noncompliance with applicable compliance requirements.

Views of Responsible Officials and Planned Corrective Action Plan

See corrective action plan.

Texas City Independent School District

Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended August 31, 2023

Prior Year Findings

2022-001: Balance Sheet Reconciliations and Timely Review

Type of Finding: Material Weakness in Internal Control Over Financial Reporting

Status: Complete

2022-002 Improper Recording of Grant Revenue and Receivable and Federal Expenditures

Type of Finding: Material Weakness in Internal Control Over Financial Reporting

Status: Complete

2022-003 Allowable Costs/Cost Principles

Type of Finding: Material Weakness in Internal Control Over Compliance and Noncompliance

Status: Complete

2022-004 Compliance Requirements: Reporting

Type of Finding: Material Weakness in Internal Control Over Compliance

Reason for Recurrence

The District did not have adequately designed controls in place to ensure compliance with the reporting requirement. Although the District did implement procedures to identify reporting deadlines and communicate with the grantor agencies, the District did not identify the SF-429 report as not filed timely.

Current Status

Partially corrected

Views of Responsible Officials and Planned Corrective Action Plan

See corrective action plan.

Corrective Action Plan

Texas City Independent School District
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended August 31, 2023

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed Through Texas Education Agency:			
ESEA, Title I, Part A	84.010A	23610101084906	\$ 2,380,863
Title I 1003 School Improvement	84.010A	23610141084906	34,309
Total Assistance Listing Number 84.010A			2,415,172
Special Education Cluster (IDEA):			
Passed Through State Department of Education:			
IDEA-B Formula	84.027A	236600010849066600	1,524,183
High Cost Fund	84.027A	66002306	108,255
COVID-19 - IDEA-B Formula (ARP)	84.027X	225350020849065350	386,939
IDEA-B Preschool	84.173A	236610010849066610	56,436
COVID-19 - IDEA-B Preschool (ARP)	84.173X	225360020849065360	17,380
Total Special Education Cluster (IDEA)			2,093,193
Carl D. Perkins Basic Grant	84.048A	23420006084906	129,367
Texas Education for Homeless Children & Youth	84.196A	234600057110079	55,890
21st Century Cycle 10 - Year 5	84.287C	236950267110047	1,380,559
21st Century Cycle 11 - Year 2	84.287C	236950307110042	1,602,980
Total Assistance Listing Number 84.287C			2,983,539
Title III, Part A, English Language Acquisition & Language Enhancement	84.365A	23671001084906	56,586
Title II, Part A, Teacher/Principal Training	84.367A	23694501084906	352,189
LEP Summer School	84.369A	69552202	7,316
Title IV, Part A, Subpart 1	84.424A	23680101084906	171,146
COVID-19 - Elementary and Secondary School Emergency Relief II	84.425D	21521001084906	4,821,494
COVID-19 - Coronavirus Learning Acceleration Supports (TCLAS) - ESSER III	84.425U	21528042084906	142,378
COVID-19 - Elementary and Secondary School Emergency Relief III	84.425U	21528001084906	6,447,335
COVID-19 - Elementary and Secondary School Emergency Relief - HCY	84.425W	215330017110079	43,488
COVID-19 - Elementary and Secondary School Emergency Relief - HCY II	84.425W	21533002084906	45,743
Total Education Stabilization Fund			11,500,438
TOTAL U.S. DEPARTMENT OF EDUCATION			19,764,836
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct:			
Head Start Cluster:			
Head Start	93.600	06CH010751-04	407,768
Head Start	93.600	06CH010751-05	1,308,251
Total Head Start Cluster			1,716,019
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			1,716,019

Texas City Independent School District
Schedule of Expenditures of Federal Awards - Continued
For the Fiscal Year Ended August 31, 2023

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Child Nutrition Cluster:			
Passed Through Texas Education Agency:			
School Breakfast Program	10.553	71402301	1,431,167
Passed Through Texas Department of Agriculture:			
National School Lunch Program - Non-Cash Assistance	10.555	806780706	378,855
COVID-19 - Supply Chain Assistance	10.555	806780706	487,953
Passed Through Texas Education Agency:			
National School Lunch Program - Cash Assistance	10.555	71302301	<u>4,566,019</u>
Total Child Nutrition Cluster			6,863,994
Passed Through Texas Department of Agriculture:			
COVID-19 - NSLP - Equipment Assistance Grants	10.579	806780706	40,000
COVID-19 - P-EBT Local Level Administrative Cost Grant	10.649	806780706	<u>5,950</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>6,909,944</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 28,390,799</u>

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

Note 1. Summary of Significant Accounting Policies

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

The modified accrual basis of accounting is used for these funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned. Generally, unused balances are returned to the grantor at the close of specified project periods.

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

Note 2. De Minimis Cost Rate

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

Note 3. Reconciliation to Basic Financial Statements

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

Total expenditures of federal awards per Exhibit K-1	\$ 28,390,799
General fund - federal revenue:	
Student Health and Related Services Program (SHARS)	2,725,934
E-Rate	174,233
ROTC	<u>95,109</u>
Total federal revenues per Exhibit C-2	<u>\$ 31,386,075</u>

Texas City Independent School District
Schedule of Required Responses to Selected
School FIRST Indicators (Unaudited)
For the Fiscal Year Ended August 31, 2023

<u>Data Codes</u>		<u>Responses</u>
SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF3	Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If the school district was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warrant hold was issued, the school district is considered to not have made timely payments.) Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant hold was issued. Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued.	Yes
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end	\$ -