

# **Texas City Independent School District**

Annual Financial Report

For the Fiscal Year Ended August 31, 2020

**Texas City Independent School District**  
 Annual Financial Report  
 For the Fiscal Year Ended August 31, 2020  
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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, 2020 at a meeting of the Board of Trustees of such school district on the \_\_ day of \_\_\_\_\_, 2020.

\_\_\_\_\_  
Signature of Board Secretary

\_\_\_\_\_  
Signature of Board President

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

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# Financial Section

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## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Texas City Independent School District (the District), as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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



### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

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

#### *Supplementary and Other Information*

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

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

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

The Board of Trustees of  
Texas City Independent School District

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

WEAVER AND TIDWELL, L.L.P.

December 8, 2020

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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, 2020.

### Financial Highlights

- Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources at year-end by \$120,031,692 (net position).
- The District's total net position increased by \$23,456,778 from current operations.
- As of the close of the year, the District's governmental funds had combined ending fund balances of \$197,076,807, a decrease of \$17,314,794 as compared to the preceding year.
- At the end of the year, unassigned fund balance of the general fund was \$30,062,926, or 34 percent of the year's total general fund expenditures.
- The District's total bonded debt decreased by \$14,040,507 (6 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 twenty-one individual governmental funds during the year. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects funds, which are considered to be major funds. Data from the other eighteen governmental funds are combined into a single, aggregated presentation titled *other governmental funds*.

The District adopts an annual revenue and appropriations budget for its general fund, debt service fund and national school breakfast and lunch program special revenue fund. All other governmental funds adopt project length budgets. Subsequent to adoption, amendments approved by the governing body are reflected in a revised budget column. A budgetary comparison statement has been provided for the general fund, 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 \$120,031,692, an increase of \$23,456,778 over the preceding year.

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

|                                      | Governmental Activities |            |                      |            |                      |      |
|--------------------------------------|-------------------------|------------|----------------------|------------|----------------------|------|
|                                      | 2020                    |            | 2019                 |            | Increase (Decrease)  |      |
|                                      | Amount                  | %          | Amount               | %          | Amount               | %    |
| Current and other assets             | \$ 216,330,133          | 50         | \$ 231,231,252       | 56         | \$ (14,901,119)      | (6)  |
| Capital assets, net of depreciation  | 213,734,105             | 50         | 182,412,773          | 44         | 31,321,332           | 17   |
| Total assets                         | 430,064,238             | 100        | 413,644,025          | 100        | 16,420,213           |      |
| Total deferred outflows of resources | 27,111,319              | 100        | 30,450,953           | 100        | (3,339,634)          | (11) |
| Long-term liabilities outstanding    | 293,785,601             | 96         | 314,642,370          | 97         | (20,856,769)         | (7)  |
| Other liabilities                    | 12,787,659              | 4          | 10,820,956           | 3          | 1,966,703            | 18   |
| Total liabilities                    | 306,573,260             | 100        | 325,463,326          | 100        | (18,890,066)         |      |
| Total deferred inflows of resources  | 30,570,605              | 100        | 22,056,738           | 100        | 8,513,867            | 39   |
| Net position:                        |                         |            |                      |            |                      |      |
| Net investment in capital assets     | 104,566,496             | 87         | 71,688,976           | 74         | 32,877,520           | 46   |
| Restricted                           | 14,799,676              | 12         | 13,857,492           | 15         | 942,184              | 7    |
| Unrestricted                         | 665,520                 | 1          | 11,028,446           | 11         | (10,362,926)         | (94) |
| <b>Total net position</b>            | <b>\$ 120,031,692</b>   | <b>100</b> | <b>\$ 96,574,914</b> | <b>100</b> | <b>\$ 23,456,778</b> |      |

The largest portion of the District's net position is net investment in capital assets. Investment in capital assets (e.g., land, buildings and improvements, furniture and equipment, and construction in progress), less any related debt used to acquire those assets that are still outstanding represent 87 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 \$14,799,676, which represents 13 percent of total net position, is restricted for future debt service and grant expenditures.

Unrestricted net position of \$665,520 decreased further due to the decrease in federal funds related to FEMA and an increase in instruction cost relative to salary increases per HB3.

**Governmental Activities.** Governmental activities increased the District's net position by \$23,456,778 from current operations. Key elements of this change are as follows:

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

|  | Governmental Activities |            |                      |            |                      |       |
|--|-------------------------|------------|----------------------|------------|----------------------|-------|
|  | 2020                    |            | 2019                 |            | Increase (Decrease)  |       |
|  | Amount                  | %          | Amount               | %          | Amount               | %     |
| Revenues:  |                         |            |                      |            |                      |       |
| Program revenues:  |                         |            |                      |            |                      |       |
| Charges for services   | \$ 1,274,635            | 1          | \$ 1,793,354         | 1          | \$ (518,719)         | (29)  |
| Operating grants and contributions                           | 25,471,754              | 17         | 30,773,503           | 20         | (5,301,749)          | (17)  |
| General revenues:  |                         |            |                      |            |                      |       |
| Property taxes, levied for general purposes                  | 56,851,567              | 38         | 56,856,071           | 37         | (4,504)              | -     |
| Property taxes, levied for debt service                      | 17,999,757              | 12         | 16,849,910           | 11         | 1,149,847            | 7     |
| Grants and contributions not restricted to specific programs | 41,787,176              | 28         | 37,729,200           | 25         | 4,057,976            | 11    |
| Insurance proceeds   | 687                     | -          | 2,425,716            | 1          | (2,425,029)          | (100) |
| Investment earnings  | 3,415,551               | 2          | 4,599,911            | 3          | (1,184,360)          | (26)  |
| Miscellaneous  | 3,603,110               | 2          | 2,798,851            | 2          | 804,259              | 29    |
| <b>Total revenues</b>  | <b>150,404,237</b>      | <b>100</b> | <b>153,826,516</b>   | <b>100</b> | <b>(3,422,279)</b>   |       |
| Expenses:  |                         |            |                      |            |                      |       |
| Instruction  | 62,660,852              | 49         | 58,179,986           | 48         | 4,480,866            | 8     |
| Instructional resources and media services                   | 1,263,119               | 1          | 1,059,670            | 1          | 203,449              | 19    |
| Curriculum and instructional staff development               | 1,652,079               | 2          | 1,339,276            | 1          | 312,803              | 23    |
| Instructional leadership                                     | 2,182,441               | 2          | 2,136,747            | 2          | 45,694               | 2     |
| School leadership  | 6,601,624               | 5          | 6,250,878            | 5          | 350,746              | 6     |
| Guidance, counseling, and evaluation services                | 3,689,742               | 3          | 3,279,718            | 3          | 410,024              | 13    |
| Social work services   | 333,822                 | -          | 318,655              | -          | 15,167               | 5     |
| Health services  | 1,051,097               | 1          | 975,255              | 1          | 75,842               | 8     |
| Student transportation                                       | 2,322,015               | 2          | 2,379,778            | 2          | (57,763)             | (2)   |
| Food services  | 5,354,694               | 4          | 5,957,279            | 5          | (602,585)            | (10)  |
| Extracurricular activities                                   | 3,674,629               | 3          | 3,921,361            | 3          | (246,732)            | (6)   |
| General administration                                       | 4,074,822               | 3          | 3,531,976            | 3          | 542,846              | 15    |
| Plant maintenance and operations                             | 16,094,151              | 13         | 16,244,796           | 13         | (150,645)            | (1)   |
| Security and monitoring services                             | 3,355,603               | 3          | 3,177,439            | 3          | 178,164              | 6     |
| Data processing services                                     | 2,873,593               | 2          | 2,567,492            | 2          | 306,101              | 12    |
| Community services   | 356,541                 | -          | 350,142              | -          | 6,399                | 2     |
| Interest on long-term debt                                   | 7,987,463               | 6          | 7,094,068            | 6          | 893,395              | 13    |
| Issuance costs and fees                                      | 215,315                 | -          | 696,371              | 1          | (481,056)            | (69)  |
| Facilities repair and maintenance                            | 74,621                  | -          | 70,621               | -          | 4,000                | 6     |
| Contracted instructional services between schools            | 183,450                 | -          | 518,451              | 1          | (335,001)            | (65)  |
| Payments related to shared service arrangements              | 329,659                 | -          | 292,075              | -          | 37,584               | 13    |
| Payments to juvenile justice alternative education programs  | -                       | -          | 24,145               | -          | (24,145)             | (100) |
| Other intergovernmental charges                              | 616,127                 | 1          | 488,798              | -          | 127,329              | 26    |
| <b>Total expenses</b>  | <b>126,947,459</b>      | <b>100</b> | <b>120,854,977</b>   | <b>100</b> | <b>6,092,482</b>     |       |
| <b>Change in net position</b>                                | <b>23,456,778</b>       |            | <b>32,971,539</b>    |            | <b>(9,514,761)</b>   |       |
| Net position - beginning                                     | 96,574,914              |            | 63,603,375           |            | 32,971,539           |       |
| <b>Net position - ending</b>                                 | <b>\$ 120,031,692</b>   |            | <b>\$ 96,574,914</b> |            | <b>\$ 23,456,778</b> |       |

Revenues, aggregating \$150,404,237, were generated primarily from two sources. Property taxes \$74,851,324 represent 50 percent of total revenues while grants and contributions, (including those not restricted for program-specific use as well as for general operations, totaling \$67,258,930), represent 45 percent of total revenues. The remaining 5 percent is generated from investment earnings, charges for services, insurance proceeds, and miscellaneous revenues. The most significant changes were significant decrease in insurance proceeds and federal operating grants and contributions due to revenues resulting from Hurricane Harvey were reported in the prior year.

The primary functional expenses of the District are Instruction \$62,660,852, which represents 49 percent of total expenses and Plant maintenance and operations \$16,094,151, 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 salary increases above historical averages that were mandated by HB3.

### **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 \$197,076,807, a decrease of \$17,314,794 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 \$30,062,926, while total fund balance was \$69,703,705. 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 34 percent of total general fund expenditures, while total fund balance represents 78 percent of that same total. The fund balance of the general fund decreased \$6,239,250 during the year, primarily due to a transfer to capital projects for the purpose of funding of the construction of facilities.

The debt service fund ended the year with a total fund balance of \$13,936,574, all of which is restricted for the payment of principal and interest on debt. The debt service fund balance increased \$946,580 during the year, primarily due to the increase in property tax values.

The capital projects fund has a total fund balance of \$112,002,876, which is a decrease of \$11,512,268. The net decrease in fund balance during the current year in the capital projects fund was due to the increased construction expenditures using the prior year proceeds from the sale of building bonds.

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

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

### **General Fund Budgetary Highlights**

The District amends the budget as needed throughout the year. The final budgeted expenditures increased by \$6,657,446 primarily due to increases in plant maintenance and operations and instruction.



## Capital Assets and Long-term Liabilities

**Capital Assets.** The District's investment in capital assets for its governmental activities as of August 31, 2020 was \$213,734,105 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, and construction in progress. The increase in capital assets, net of depreciation, for the current fiscal year was \$31,321,332.

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

|                            | Governmental Activities |            |                       |            |                      |      |
|----------------------------|-------------------------|------------|-----------------------|------------|----------------------|------|
|                            | 2020                    |            | 2019                  |            | Increase (Decrease)  |      |
|                            | Amount                  | %          | Amount                | %          | Amount               | %    |
| Land and improvements      | \$ 5,179,396            | 2          | \$ 5,120,256          | 3          | \$ 59,140            | 1    |
| Buildings and improvements | 150,800,615             | 71         | 153,922,863           | 91         | (3,122,248)          | (2)  |
| Furniture and equipment    | 14,288,182              | 7          | 16,408,279            | 5          | (2,120,097)          | (13) |
| Construction in progress   | 43,465,912              | 20         | 6,961,375             | 1          | 36,504,537           | 524  |
| <b>Totals</b>              | <b>\$ 213,734,105</b>   | <b>100</b> | <b>\$ 182,412,773</b> | <b>100</b> | <b>\$ 31,321,332</b> |      |

Major additions consisted of:

- Buses \$552,073
- Various construction and improvement projects

**Commitments.** At the end of the current fiscal year, the District's commitments with construction contractors totaled \$21,840,419.

**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 |            |                       |            |                        |      |
|--------------------------|-------------------------|------------|-----------------------|------------|------------------------|------|
|                          | 2020                    |            | 2019                  |            | Increase (Decrease)    |      |
|                          | Amount                  | %          | Amount                | %          | Amount                 | %    |
| General obligation bonds | \$ 221,955,206          | 76         | \$ 235,995,713        | 75         | \$ (14,040,507)        | (6)  |
| Notes payable            | 825,000                 | -          | 1,640,000             | 1          | (815,000)              | (50) |
| Workers' compensation    | 344,798                 | -          | 498,359               | -          | (153,561)              | (31) |
| Compensated absences     | 1,230,580               | -          | 1,202,841             | -          | 27,739                 | 2    |
| Net pension liability    | 31,925,778              | 11         | 34,122,953            | 11         | (2,197,175)            | (6)  |
| Net OPEB liability       | 37,504,239              | 13         | 41,182,504            | 13         | (3,678,265)            | (9)  |
| <b>Totals</b>            | <b>\$ 293,785,601</b>   | <b>100</b> | <b>\$ 314,642,370</b> | <b>100</b> | <b>\$ (20,856,769)</b> |      |

The District's total bonded debt decreased by \$14,040,507 (6 percent) during the current fiscal year, which resulted from scheduled debt payments and the effects of the bond refunding.

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 (2020-21) student enrollment is 8,022, a 9% decrease from the preceding year.
- District staff totals 1,323 employees in 2020-21, excluding substitutes and other part-time employees, of which 561 are teachers and 147 are teacher aides and secretaries.
- The District maintains thirteen regular education campuses.
- Property values of the District are projected to remain comparable for the 2020-21 year.
- A maintenance and operations tax rate of \$1.0158 and a debt service tax rate of \$0.3449, a total rate of \$1.3607 were adopted for 2020-21. Preceding year rates were \$1.07, \$0.3449 and \$1.41325, respectively.

All of these factors and others were considered in preparing the District's budget for the 2020-21 fiscal year.

During 2019-20, fund balance in the general fund decreased to \$69,703,705. 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.

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# Basic Financial Statements

Texas City Independent School District  
Statement of Net Position  
August 31, 2020

Exhibit A-1

1

| <u>Data<br/>Control<br/>Codes</u>     |                                      | <u>Primary<br/>Government<br/>Governmental<br/>Activities</u> |
|---------------------------------------|--------------------------------------|---|
| <b>ASSETS</b>                         |                                      |   |
| 1110                                  | Cash and cash equivalents            | \$ 23,684,661   |
| 1120                                  | Investments                          | 180,956,289   |
| 1220                                  | Property taxes receivables           | 5,094,730   |
| 1230                                  | Allowance for uncollectible taxes    | (51,000)  |
| 1240                                  | Due from other governments           | 4,624,304   |
| 1290                                  | Other receivables                    | 7,461   |
| 1300                                  | Inventories                          | 324,744   |
| 1410                                  | Prepaid items                        | 1,688,944   |
|                                       | Capital assets:                      |   |
| 1510                                  | Land                                 | 5,179,396   |
| 1520                                  | Buildings and improvements (net)     | 150,800,615   |
| 1530                                  | Furniture and equipment (net)        | 14,288,182  |
| 1580                                  | Construction in progress             | 43,465,912  |
| 1000                                  | Total assets                         | 430,064,238   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b> |                                      |   |
| 1705                                  | Deferred outflows - pension          | 19,558,269  |
| 1706                                  | Deferred outflows - OPEB             | 4,512,162   |
| 1710                                  | Deferred charge on refunding         | 3,040,888   |
| 1700                                  | Total deferred outflows of resources | 27,111,319  |
| <b>LIABILITIES</b>                    |                                      |   |
| 2110                                  | Accounts payable                     | 8,709,942   |
| 2140                                  | Interest payable                     | 528,940   |
| 2150                                  | Payroll deductions and withholdings  | 1,008,212   |
| 2160                                  | Accrued wages payable                | 2,496,432   |
| 2180                                  | Due to other governments             | 43,083  |
| 2300                                  | Unearned revenue                     | 1,050   |
|                                       | Noncurrent liabilities:              |   |
| 2501                                  | Due within one year                  | 12,459,000  |
| 2502                                  | Due in more than one year            | 211,896,584   |
| 2540                                  | Net pension liability                | 31,925,778  |
| 2545                                  | Net OPEB liability                   | 37,504,239  |
| 2000                                  | Total liabilities                    | 306,573,260   |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                                      |   |
| 2605                                  | Deferred inflows - pension           | 9,354,593   |
| 2606                                  | Deferred inflows - OPEB              | 19,784,845  |
| 2610                                  | Deferred gain on refunding           | 1,431,167   |
| 2600                                  | Total deferred inflows of resources  | 30,570,605  |
| <b>NET POSITION</b>                   |                                      |   |
| 3200                                  | Net investment in capital assets     | 104,566,496   |
| 3820                                  | Restricted for grants                | 496,352   |
| 3850                                  | Restricted for debt service          | 14,303,324  |
| 3900                                  | Unrestricted                         | 665,520   |
| 3000                                  | <b>TOTAL NET POSITION</b>            | <b>\$ 120,031,692</b>   |

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

Texas City Independent School District  
Statement of Activities  
For the Fiscal Year Ended August 31, 2020

Exhibit B-1

| Data Control Codes        | Functions/Programs   | 1<br>Expenses         | 3<br>Program Revenues |                                    | 4<br>Net (Expense) Revenue and Changes in Net Position |
|---------------------------|--|-----------------------|-----------------------|------------------------------------|--|
|                           |  |                       | Charges for Services  | Operating Grants and Contributions |  |
|                           |  |                       |                       |                                    | Governmental Activities                                |
| <b>PRIMARY GOVERNMENT</b> |  |                       |                       |                                    |  |
|                           | Governmental activities                                      |                       |                       |                                    |  |
| 0011                      | Instruction  | \$ 62,660,852         | \$ 284,285            | \$ 12,117,070                      | \$ (50,259,497)  |
| 0012                      | Instructional resources and media services                   | 1,263,119             | 54,919                | 70,153                             | (1,138,047)  |
| 0013                      | Curriculum and instructional staff development               | 1,652,079             | -                     | 660,479                            | (991,600)  |
| 0021                      | Instructional leadership                                     | 2,182,441             | -                     | 1,107,764                          | (1,074,677)  |
| 0023                      | School leadership  | 6,601,624             | 137,406               | 705,119                            | (5,759,099)  |
| 0031                      | Guidance, counseling, and evaluation services                | 3,689,742             | 7,351                 | 1,178,347                          | (2,504,044)  |
| 0032                      | Social work services   | 333,822               | -                     | 140,058                            | (193,764)  |
| 0033                      | Health services  | 1,051,097             | 2,072                 | 195,654                            | (853,371)  |
| 0034                      | Student transportation                                       | 2,322,015             | -                     | 172,064                            | (2,149,951)  |
| 0035                      | Food services  | 5,354,694             | 391,494               | 4,022,480                          | (940,720)  |
| 0036                      | Extracurricular activities                                   | 3,674,629             | 302,738               | 181,689                            | (3,190,202)  |
| 0041                      | General administration                                       | 4,074,822             | 8,951                 | 257,733                            | (3,808,138)  |
| 0051                      | Plant maintenance and operations                             | 16,094,151            | 14,638                | 376,711                            | (15,702,802)   |
| 0052                      | Security and monitoring services                             | 3,355,603             | -                     | 113,629                            | (3,241,974)  |
| 0053                      | Data processing services                                     | 2,873,593             | 63,439                | 131,658                            | (2,678,496)  |
| 0061                      | Community services   | 356,541               | 7,342                 | 281,436                            | (67,763)   |
| 0072                      | Interest on long-term debt                                   | 7,987,463             | -                     | 3,755,979                          | (4,231,484)  |
| 0073                      | Issuance costs and fees                                      | 215,315               | -                     | -                                  | (215,315)  |
| 0081                      | Facilities repair and maintenance                            | 74,621                | -                     | 3,731                              | (70,890)   |
| 0091                      | Contracted instructional services between schools            | 183,450               | -                     | -                                  | (183,450)  |
| 0093                      | Payments related to shared services arrangements             | 329,659               | -                     | -                                  | (329,659)  |
| 0099                      | Other intergovernmental charges                              | 616,127               | -                     | -                                  | (616,127)  |
| TG                        | Total governmental activities                                | 126,947,459           | 1,274,635             | 25,471,754                         | (100,201,070)  |
| TP                        | <b>TOTAL PRIMARY GOVERNMENT</b>                              | <u>\$ 126,947,459</u> | <u>\$ 1,274,635</u>   | <u>\$ 25,471,754</u>               | (100,201,070)  |
|                           | General revenues   |                       |                       |                                    |  |
| MT                        | Property taxes, levied for general purposes                  |                       |                       |                                    | 56,851,567   |
| DT                        | Property taxes, levied for debt service                      |                       |                       |                                    | 17,999,757   |
| GC                        | Grants and contributions not restricted to specific programs |                       |                       |                                    | 41,787,176   |
| IN                        | Insurance proceeds   |                       |                       |                                    | 687  |
| IE                        | Investment earnings  |                       |                       |                                    | 3,415,551  |
| MI                        | Miscellaneous  |                       |                       |                                    | 3,603,110  |
| TR                        | Total general revenues                                       |                       |                       |                                    | 123,657,848  |
| CN                        | Change in net position                                       |                       |                       |                                    | 23,456,778   |
| NB                        | Net position - beginning                                     |                       |                       |                                    | 96,574,914   |
| NE                        | <b>NET POSITION - ENDING</b>                                 |                       |                       |                                    | <u>\$ 120,031,692</u>                                  |

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

Texas City Independent School District  
Balance Sheet – Governmental Funds  
August 31, 2020

| Data<br>Control<br>Codes             |  | 199                   | 599                          |
|--------------------------------------|--|-----------------------|------------------------------|
|                                      |  | <u>General Fund</u>   | <u>Debt Service<br/>Fund</u> |
| <b>ASSETS</b>                        |  |                       |                              |
| 1110                                 | Cash and cash equivalents  | \$ 18,124,286         | \$ 944,269                   |
| 1120                                 | Investments  | 75,710,025            | 13,035,388                   |
| 1220                                 | Property taxes receivables   | 4,195,609             | 899,121                      |
| 1230                                 | Allowance for uncollectible taxes  | (42,000)              | (9,000)                      |
| 1240                                 | Due from other governments   | 4,340,484             | -                            |
| 1260                                 | Due from other funds   | 310,442               | -                            |
| 1290                                 | Other receivables  | 1,339                 | -                            |
| 1300                                 | Inventories  | 226,354               | -                            |
| 1410                                 | Prepaid items  | 1,273,992             | -                            |
|                                      |  | <hr/>                 | <hr/>                        |
| 1000                                 | Total assets   | 104,140,531           | 14,869,778                   |
|                                      |  | <hr/>                 | <hr/>                        |
| 1000a                                | <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>                         | <b>\$ 104,140,531</b> | <b>\$ 14,869,778</b>         |
|                                      |  | <hr/>                 | <hr/>                        |
| <b>LIABILITIES</b>                   |  |                       |                              |
| 2110                                 | Accounts payable   | \$ 1,573,467          | \$ -                         |
| 2150                                 | Payroll and withholdings   | 1,008,212             | -                            |
| 2160                                 | Accrued wages payable  | 2,496,432             | -                            |
| 2170                                 | Due to other funds   | 25,205,106            | -                            |
| 2180                                 | Due to other governments   | -                     | 43,083                       |
| 2300                                 | Unearned revenue   | -                     | -                            |
|                                      |  | <hr/>                 | <hr/>                        |
| 2000                                 | Total liabilities  | 30,283,217            | 43,083                       |
| <b>DEFERRED INFLOWS OF RESOURCES</b> |  |                       |                              |
| 2600                                 | Unavailable revenue - property taxes   | 4,153,609             | 890,121                      |
|                                      |  | <hr/>                 | <hr/>                        |
|                                      | Total deferred inflows of resources  | 4,153,609             | 890,121                      |
| <b>FUND BALANCES</b>                 |  |                       |                              |
| 3410                                 | Nonspendable - inventories   | 226,354               | -                            |
| 3430                                 | Nonspendable - prepaid items   | 1,273,992             | -                            |
| 3450                                 | Restricted - grants  | -                     | -                            |
| 3470                                 | Restricted - capital acquisitions and contractual obligations                  | -                     | -                            |
| 3480                                 | Restricted - debt service  | -                     | 13,936,574                   |
| 3545                                 | Committed - campus activity  | -                     | -                            |
| 3550                                 | Assigned - construction  | 10,000,000            | -                            |
| 3590                                 | Assigned - other   | 28,140,433            | -                            |
| 3600                                 | Unassigned   | 30,062,926            | -                            |
|                                      |  | <hr/>                 | <hr/>                        |
| 3000                                 | Total fund balances  | 69,703,705            | 13,936,574                   |
|                                      |  | <hr/>                 | <hr/>                        |
| 4000                                 | <b>TOTAL LIABILITIES, DEFERRED INFLOWS<br/>OF RESOURCES, AND FUND BALANCES</b> | <b>\$ 104,140,531</b> | <b>\$ 14,869,778</b>         |
|                                      |  | <hr/>                 | <hr/>                        |

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

| 699                      | Total               | 98                             |
|--------------------------|---------------------|--------------------------------|
| Capital<br>Projects Fund | Nonmajor<br>Funds   | Total<br>Governmental<br>Funds |
| \$ 4,065,893             | \$ 442,166          | \$ 23,576,614                  |
| 89,463,541               | 1,134,562           | 179,343,516                    |
| -                        | -                   | 5,094,730                      |
| -                        | -                   | (51,000)                       |
| -                        | 283,820             | 4,624,304                      |
| 25,000,000               | -                   | 25,310,442                     |
| -                        | 6,122               | 7,461                          |
| -                        | 98,390              | 324,744                        |
| 414,952                  | -                   | 1,688,944                      |
| <u>118,944,386</u>       | <u>1,965,060</u>    | <u>239,919,755</u>             |
| <u>\$ 118,944,386</u>    | <u>\$ 1,965,060</u> | <u>\$ 239,919,755</u>          |
| <br>                     |                     |                                |
| \$ 6,941,510             | \$ 193,472          | \$ 8,708,449                   |
| -                        | -                   | 1,008,212                      |
| -                        | -                   | 2,496,432                      |
| -                        | 336,886             | 25,541,992                     |
| -                        | -                   | 43,083                         |
| -                        | 1,050               | 1,050                          |
| <u>6,941,510</u>         | <u>531,408</u>      | <u>37,799,218</u>              |
| <br>                     |                     |                                |
| -                        | -                   | 5,043,730                      |
| <u>-</u>                 | <u>-</u>            | <u>5,043,730</u>               |
| <br>                     |                     |                                |
| -                        | -                   | 226,354                        |
| 414,952                  | -                   | 1,688,944                      |
| -                        | 496,352             | 496,352                        |
| 86,587,924               | -                   | 86,587,924                     |
| -                        | -                   | 13,936,574                     |
| -                        | 937,300             | 937,300                        |
| 25,000,000               | -                   | 35,000,000                     |
| -                        | -                   | 28,140,433                     |
| -                        | -                   | 30,062,926                     |
| <u>112,002,876</u>       | <u>1,433,652</u>    | <u>197,076,807</u>             |
| <br>                     |                     |                                |
| <u>\$ 118,944,386</u>    | <u>\$ 1,965,060</u> | <u>\$ 239,919,755</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, 2020

**Exhibit C-1R**

**TOTAL FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-1)** \$ 197,076,807

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                       | \$ 319,279,049 |             |
| Accumulated depreciation of governmental capital assets | (105,544,944)  | 213,734,105 |

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. 5,043,730

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

|                                |                  |               |
|--------------------------------|------------------|---------------|
| Bonds payable, at original par | \$ (199,500,000) |               |
| Premium on bonds payable       | (22,455,206)     |               |
| Accrued interest on the bonds  | (523,371)        |               |
| Notes payable                  | (825,000)        |               |
| Accrued interest on the notes  | (5,569)          |               |
| Compensated absences           | (1,230,580)      |               |
| Net pension liability          | (31,925,778)     |               |
| Net OPEB liability             | (37,504,239)     | (293,969,743) |

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. 1,606,079

Deferred charge on refunding is reported as deferred outflow in the statement of net position and is not reported in the funds due to it is not a current financial resource available to pay for current expenditures. 3,040,888

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. (1,431,167)

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. 19,558,269

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. (9,354,593)

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. 4,512,162

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. (19,784,845)

**TOTAL NET POSITON - GOVERNMENTAL ACTIVITIES (EXHIBIT A-1)** \$ 120,031,692

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

**Texas City Independent School District**  
Statement of Revenues, Expenditures, and Changes  
in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended August 31, 2020

| <u>Data Control Codes</u>             |   | 199                  | 599                      |
|---------------------------------------|---|----------------------|--------------------------|
|                                       |   | <u>General Fund</u>  | <u>Debt Service Fund</u> |
| <b>REVENUES</b>                       |   |                      |                          |
| 5700                                  | Local and intermediate sources                    | \$ 61,777,556        | \$ 18,245,371            |
| 5800                                  | State program revenues                            | 44,183,058           | 3,755,979                |
| 5900                                  | Federal program revenues                          | 1,945,926            | -                        |
| 5020                                  | Total revenues                                    | 107,906,540          | 22,001,350               |
| <b>EXPENDITURES</b>                   |   |                      |                          |
| Current:                              |   |                      |                          |
| 0011                                  | Instruction                                       | 45,588,931           | -                        |
| 0012                                  | Instructional resources and media services        | 1,064,355            | -                        |
| 0013                                  | Curriculum and instructional staff development    | 823,544              | -                        |
| 0021                                  | Instructional leadership                          | 798,164              | -                        |
| 0023                                  | School leadership                                 | 5,225,356            | -                        |
| 0031                                  | Guidance, counseling, and evaluation services     | 2,188,656            | -                        |
| 0032                                  | Social work services                              | 158,373              | -                        |
| 0033                                  | Health services                                   | 897,454              | -                        |
| 0034                                  | Student transportation                            | 2,336,980            | -                        |
| 0035                                  | Food services                                     | -                    | -                        |
| 0036                                  | Extracurricular activities                        | 3,246,936            | -                        |
| 0041                                  | General administration                            | 3,565,738            | -                        |
| 0051                                  | Plant maintenance and operations                  | 15,445,417           | -                        |
| 0052                                  | Security and monitoring services                  | 3,110,384            | -                        |
| 0053                                  | Data processing services                          | 2,580,887            | -                        |
| 0061                                  | Community services                                | 15,716               | -                        |
| Debt service:                         |   |                      |                          |
| 0071                                  | Principal on long-term debt                       | 815,000              | 11,085,000               |
| 0072                                  | Interest on long-term debt                        | 20,509               | 9,527,135                |
| 0073                                  | Issuance costs and fees                           | 400                  | 654,096                  |
| Capital outlay:                       |   |                      |                          |
| 0081                                  | Facilities acquisition and construction           | 133,754              | -                        |
| Intergovernmental:                    |   |                      |                          |
| 0091                                  | Contracted instructional services between schools | 183,450              | -                        |
| 0093                                  | Payments related shares services arrangements     | 329,659              | -                        |
| 0099                                  | Other intergovernmental charges                   | 616,127              | -                        |
| 6030                                  | Total expenditures                                | 89,145,790           | 21,266,231               |
| 1100                                  | Excess (deficiency) of revenues over expenditures | 18,760,750           | 735,119                  |
| <b>OTHER FINANCING SOURCES (USES)</b> |   |                      |                          |
| 7901                                  | Refunding bonds issued                            | -                    | 13,365,000               |
| 7915                                  | Transfers in                                      | -                    | -                        |
| 7916                                  | Premium or discount on issuance of bonds          | -                    | 3,119,905                |
| 8911                                  | Transfers out                                     | (25,000,000)         | -                        |
| 8940                                  | Payment to bond refunding escrow agent            | -                    | (16,273,444)             |
| 7080                                  | Total other financing sources (uses)              | (25,000,000)         | 211,461                  |
| 1200                                  | Net change in fund balances                       | (6,239,250)          | 946,580                  |
| 0100                                  | Fund balances - beginning                         | 75,942,955           | 12,989,994               |
| 3000                                  | <b>FUND BALANCES - ENDING</b>                     | <b>\$ 69,703,705</b> | <b>\$ 13,936,574</b>     |

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

| 699                      | Total             | 98                             |
|--------------------------|-------------------|--------------------------------|
| Capital<br>Projects Fund | Nonmajor<br>Funds | Total<br>Governmental<br>Funds |
| \$ 2,070,206             | \$ 1,146,535      | \$ 83,239,668                  |
| -                        | 884,703           | 48,823,740                     |
| -                        | 13,059,030        | 15,004,956                     |
| <hr/>                    | <hr/>             | <hr/>                          |
| 2,070,206                | 15,090,268        | 147,068,364                    |
| -                        | 7,623,716         | 53,212,647                     |
| -                        | 55,600            | 1,119,955                      |
| -                        | 503,727           | 1,327,271                      |
| -                        | 851,371           | 1,649,535                      |
| -                        | 343,870           | 5,569,226                      |
| -                        | 886,343           | 3,074,999                      |
| -                        | 107,126           | 265,499                        |
| -                        | 27,728            | 925,182                        |
| 350,115                  | 28,617            | 2,715,712                      |
| -                        | 4,643,169         | 4,643,169                      |
| -                        | 173,822           | 3,420,758                      |
| -                        | 9,062             | 3,574,800                      |
| 3,266,063                | 9,592             | 18,721,072                     |
| 126,497                  | 32,225            | 3,269,106                      |
| -                        | 64,225            | 2,645,112                      |
| -                        | 239,931           | 255,647                        |
| -                        | -                 | 11,900,000                     |
| -                        | -                 | 9,547,644                      |
| -                        | -                 | 654,496                        |
| 34,839,799               | -                 | 34,973,553                     |
| -                        | -                 | 183,450                        |
| -                        | -                 | 329,659                        |
| -                        | -                 | 616,127                        |
| <hr/>                    | <hr/>             | <hr/>                          |
| 38,582,474               | 15,600,124        | 164,594,619                    |
| (36,512,268)             | (509,856)         | (17,526,255)                   |
| -                        | -                 | 13,365,000                     |
| 25,000,000               | -                 | 25,000,000                     |
| -                        | -                 | 3,119,905                      |
| -                        | -                 | (25,000,000)                   |
| -                        | -                 | (16,273,444)                   |
| <hr/>                    | <hr/>             | <hr/>                          |
| 25,000,000               | -                 | 211,461                        |
| (11,512,268)             | (509,856)         | (17,314,794)                   |
| 123,515,144              | 1,943,508         | 214,391,601                    |
| <hr/>                    | <hr/>             | <hr/>                          |
| \$ 112,002,876           | \$ 1,433,652      | \$ 197,076,807                 |

**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, 2020

**Exhibit C-3**

**TOTAL NET CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-2)** \$ (17,314,794)

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 | \$ 39,197,334      |            |
| Depreciation expense     | <u>(7,876,002)</u> | 31,321,332 |

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. 73,578

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          | \$ (13,365,000)    |              |
| (Premium) discount | <u>(3,119,905)</u> | (16,484,905) |

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 11,085,000

Payment to escrow agent to refund bonds from refunding proceeds from other sources and District contribution of \$439,181. 16,712,625

Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 815,000

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) decreased</i> | \$ 483,040       |           |
| Accrued interest on notes payable <i>(increased) decreased</i>                  | 4,686            |           |
| Amortization of bond premium and discount                                       | 1,376,055        |           |
| Amortization of defeasance costs  | <u>(303,600)</u> | 1,560,181 |

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. (27,739)

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. 39,229

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)     | \$ (4,021,696)   |             |
| Deferred inflows (increased) decreased      | (2,511,599)      |             |
| Net pension liability (increased) decreased | <u>2,197,175</u> | (4,336,120) |

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)  | \$ 1,037,946     |        |
| Deferred inflows (increased) decreased   | (4,702,820)      |        |
| Net OPEB liability (increased) decreased | <u>3,678,265</u> | 13,391 |

**CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES (EXHIBIT B-1)** \$ 23,456,778

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

Texas City Independent School District  
Statement of Net Position  
Proprietary Fund  
August 31, 2020

Exhibit D-1

| <u>Data<br/>Control<br/>Codes</u> |  | <u>Governmental<br/>Activities<br/>Internal<br/>Service<br/>Fund</u> |
|-----------------------------------|--|--|
|                                   | <b>ASSETS</b>                              |  |
|                                   | Current assets:                            |  |
| 1110                              | Cash and cash equivalents                  | \$ 108,047   |
| 1120                              | Investments                                | 1,612,773  |
| 1260                              | Due from other funds                       | <u>231,550</u>   |
|                                   | Total current assets                       | <u>1,952,370</u>   |
| 1000                              | Total assets                               | 1,952,370  |
|                                   | <b>LIABILITIES</b>                         |  |
|                                   | Current liabilities:                       |  |
| 2110                              | Accounts payable                           | 1,493  |
| 2123                              | Claims payable - due within one year       | <u>200,000</u>   |
|                                   | Total current liabilities                  | <u>201,493</u>   |
|                                   | Noncurrent liabilities:                    |  |
| 2590                              | Claims payable - due in more than one year | <u>144,798</u>   |
|                                   | Total noncurrent liabilities               | <u>144,798</u>   |
| 2000                              | Total liabilities                          | 346,291  |
|                                   | <b>NET POSITION</b>                        |  |
| 3900                              | Unrestricted                               | <u>1,606,079</u>   |
| 3000                              | <b>TOTAL NET POSITION</b>                  | <u>\$ 1,606,079</u>  |

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

**Texas City Independent School District**  
Statement of Revenues, Expenses, and Changes  
in Net Position  
Proprietary Fund  
For the Fiscal Year Ended August 31, 2020

**Exhibit D-2**

| <u>Data<br/>Control<br/>Codes</u>         | <u>Governmental<br/>Activities<br/>Internal<br/>Service<br/>Fund</u> |
|---|--|
| <b>OPERATING REVENUES</b>                 |  |
| 5754 Interfund service provided           | \$ 284,564   |
| 5020 Total operating revenues             | 284,564  |
| <b>OPERATING EXPENSES</b>                 |  |
| 6200 Professional and contracted services | 49,908   |
| 6400 Other operating costs                | 217,079  |
| 6030 Total operating expenses             | 266,987  |
| 1100 Operating income                     | 17,577   |
| <b>NONOPERATING REVENUES</b>              |  |
| 7955 Investment earnings                  | 21,652   |
| 8030 Total nonoperating revenues          | 21,652   |
| 1300 Change in net position               | 39,229   |
| 0100 Net position - beginning             | 1,566,850  |
| 3300 <b>NET POSITION - ENDING</b>         | <b>\$ 1,606,079</b>  |

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

**Texas City Independent School District**  
Statement of Cash Flows  
Proprietary Fund  
For the Fiscal Year Ended August 31, 2020

**Exhibit D-3**

|  | <b>Governmental<br/>Activities</b>   |
|--|--------------------------------------|
|  | <b>Internal<br/>Service<br/>Fund</b> |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                                      |
| Cash received from District  | \$ 484,413                           |
| Cash payments for claims, net of stop loss reimbursements                                  | (369,477)                            |
| Cash payments for contracted services and supplies and materials                           | (39,358)                             |
|  | <hr/>                                |
| Net cash provided by operating activities  | 75,578                               |
|  | <hr/>                                |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                                      |
| Interest and dividends received on investments   | 21,652                               |
| Purchase of investments  | (21,509)                             |
|  | <hr/>                                |
| Net cash provided by investing activities  | 143                                  |
|  | <hr/>                                |
| Net increase (decrease) in cash and cash equivalents                                       | 75,721                               |
| Cash and cash equivalents at beginning of year   | 32,326                               |
|  | <hr/>                                |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>                                    | <u>\$ 108,047</u>                    |
| <b>RECONCILIATION OF OPERATING INCOME TO NET CASH<br/>PROVIDED BY OPERATING ACTIVITIES</b> |                                      |
| Operating income   | \$ 17,577                            |
| Change in assets and liabilities:  |                                      |
| (Increase) decrease in due from other funds  | 199,849                              |
| (Increase) decrease in prepaid items   | 10,550                               |
| Increase (decrease) in accounts payable  | 1,163                                |
| Increase (decrease) in claims payable  | (153,561)                            |
|  | <hr/>                                |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>   | <u>\$ 75,578</u>                     |

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



Texas City Independent School District  
Statement of Net Position  
Fiduciary Funds  
August 31, 2020

Exhibit E-1

865

| <u>Data<br/>Control<br/>Codes</u> |                           | <u>Private<br/>Purpose Trust<br/>Funds</u> | <u>Agency Fund</u> |
|-----------------------------------|---------------------------|--|--------------------|
|                                   | <b>ASSETS</b>             |  |                    |
|                                   | Current assets:           |  |                    |
| 1110                              | Cash and cash equivalents | \$ 135,386                                 | \$ 41,961          |
| 1120                              | Investments               | -  | 122,793            |
|                                   |                           | <hr/>                                      | <hr/>              |
| 1000                              | <b>TOTAL ASSETS</b>       | 135,386                                    | <u>\$ 164,754</u>  |
|                                   | <b>LIABILITIES</b>        |  |                    |
|                                   | Current liabilities:      |  |                    |
| 2110                              | Accounts payable          | -  | \$ 5,040           |
| 2190                              | Due to student groups     | -  | 159,714            |
|                                   |                           | <hr/>                                      | <hr/>              |
| 2000                              | <b>TOTAL LIABILITIES</b>  | -  | <u>\$ 164,754</u>  |
|                                   | <b>NET POSITION</b>       |  |                    |
| 3900                              | Unrestricted              | <hr/> 135,386                              |                    |
| 3000                              | <b>TOTAL NET POSITION</b> | <u>\$ 135,386</u>                          |                    |

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

**Texas City Independent School District**  
Statement of Changes in Net Position  
Fiduciary Funds  
For the Fiscal Year Ended August 31, 2020

**Exhibit E-2**

| <u>Data<br/>Control<br/>Codes</u> |                                      | <u>Private<br/>Purpose Trust<br/>Funds</u> |
|-----------------------------------|--------------------------------------|--|
|                                   | <b>ADDITIONS</b>                     |  |
| 5700                              | Local and intermediate sources       | \$ 11,227                                  |
|                                   | Total additions                      | 11,227                                     |
|                                   | <b>DEDUCTIONS</b>                    |  |
| 6200                              | Professional and contracted services | 18,500                                     |
|                                   | Total deductions                     | 18,500                                     |
|                                   | Change in net position               | (7,273)                                    |
|                                   | Net position beginning               | 142,659                                    |
|                                   | <b>NET POSITION - ENDING</b>         | <u>\$ 135,386</u>                          |

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

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# Texas City Independent School District

## Notes to the Financial Statements

### Note 1. Summary of Significant Accounting Policies

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

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

#### B. Reporting Entity

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

## Texas City Independent School District

### Notes to the Financial Statements

Additionally, the District reports the following fund types:

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

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

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

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

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

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

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

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

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

## Texas City Independent School District

### Notes to the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

# Texas City Independent School District

## Notes to the Financial Statements

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

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

Deferred outflows/inflows of resources are amortized as follows:

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

### 6. *Compensated Absences*

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

### 7. *Net Position Flow Assumption*

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

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

## Texas City Independent School District

### Notes to the Financial Statements

#### **8. Fund Balance Flow Assumptions**

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

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

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

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

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

#### **10. Pension**

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



## Texas City Independent School District

### Notes to the Financial Statements

#### **11. Other Postemployment Benefits**

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

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

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

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

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

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

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

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

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

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

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

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

# Texas City Independent School District

## Notes to the Financial Statements

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

#### A. Budgetary Information

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

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

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

#### B. Encumbrances

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

As of August 31, 2020, significant encumbrances included in governmental fund balances are as follows:

|                           | <u>Restricted<br/>Fund Balance</u> | <u>Assigned<br/>Fund Balance</u> |
|---------------------------|------------------------------------|----------------------------------|
| General fund              | \$ -                               | \$ 640,433                       |
| Capital projects fund     | <u>37,961,917</u>                  | <u>-</u>                         |
| <b>Total encumbrances</b> | <b><u>\$ 37,961,917</u></b>        | <b><u>\$ 640,433</u></b>         |

### Note 3. Detailed Notes on All Funds

#### A. Deposits and Investments

##### Cash Deposits

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

# Texas City Independent School District

## Notes to the Financial Statements

### Investments

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

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

|   | Governmental<br>and Proprietary<br>Funds | Fiduciary<br>Funds | Percent of<br>Total<br>Investments | Weighted<br>Average<br>Maturity<br>(Days) | Credit<br>Risk |
|---|--|--------------------|------------------------------------|---|----------------|
| Investment measured at cost,<br>not subject to level reporting:           |  |                    |                                    |   |                |
| Certificates of deposit   | \$ 27,914,205                            | \$ -               | 15%                                | 364                                       | Not rated***   |
| Investment measured at amortized cost,<br>not subject to level reporting: |  |                    |                                    |   |                |
| Investment pool:  |  |                    |                                    |   |                |
| TexPool Prime   | 122,783,069                              | -                  | 68%                                | 53  | AAAm*          |
| TexPool   | 23,265,378                               | 122,793            | 13%                                | 32  | AAAm*          |
| Investments measured at fair value,<br>not subject to level reporting:    |  |                    |                                    |   |                |
| Money market fund   | 4,990,760                                | -                  | 3%                                 | 20  | AAAm*/Aaa-mf** |
| Wells Fargo money market fund   | 2,002,877                                | -                  | 1%                                 | 37  | AAAm*          |
| <b>Total value</b>  | <b>\$ 180,956,289</b>                    | <b>\$ 122,793</b>  | <b>100%</b>                        |   |                |
| <b>Portfolio weighted average maturity</b>                                |  |                    |                                    | <b>97</b>                                 |                |

\*Standard & Poor's Rating

\*\*Moody's Rating

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

## Texas City Independent School District

### Notes to the Financial Statements

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

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

*Money Market funds* are measured at fair value, i.e. the net asset value. Such investments are not subject to the fair value hierarchy reporting.

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.

#### **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 investments consists primarily of cash and government agencies.

#### **Interest Rate Risk**

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

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

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

#### **Custodial Credit Risk – Deposits**

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of August 31, 2020, 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.

# Texas City Independent School District

## Notes to the Financial Statements

### B. Receivables

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

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

Approximately 77% 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 26% of the District's taxable property value is attributed to one taxpayer. Similarly, the District's ten largest taxpayers approximate 50% of the total taxable value of the District.

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

#### *Receivables/Payables*

The composition of interfund balances as of August 31, 2020, is as follows:

| Funds                               | Interfund<br>Receivables           | Interfund<br>Payables                |
|-------------------------------------|------------------------------------|--------------------------------------|
| Governmental funds:                 |                                    |                                      |
| General fund                        | \$ 310,442                         | \$ (25,205,106)                      |
| Capital projects funds              | 25,000,000                         | -                                    |
| Other governmental funds - nonmajor | -                                  | (336,886)                            |
| Proprietary fund:                   |                                    |                                      |
| Internal service fund               | <u>231,550</u>                     | <u>-</u>                             |
| <b>Totals</b>                       | <b><u><u>\$ 25,541,992</u></u></b> | <b><u><u>\$ (25,541,992)</u></u></b> |

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. Balance between general fund and capital projects fund is for construction costs of new school facilities transferred to the capital projects fund subsequent to year end. Additionally, some lending/borrowing may occur between two or more nonmajor governmental funds.

# Texas City Independent School District

## Notes to the Financial Statements

### 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 following is a summary of the District’s interfund transfers for the fiscal year ended August 31, 2020.

| Transfer Out  | Transfers In          | Amount               |
|---------------|-----------------------|----------------------|
| General fund  | Capital projects fund | \$ 25,000,000        |
| <b>Totals</b> |                       | <b>\$ 25,000,000</b> |

Transfer between general fund and capital projects fund is for construction costs of new school facilities.

### D. Capital Assets

Capital asset activity for the fiscal year ended August 31, 2020 was as follows:

|  | Beginning<br>Balance  | Additions            | Retirements,<br>Transfers, and<br>Adjustments | Ending<br>Balance     |
|--|-----------------------|----------------------|---|-----------------------|
| Governmental activities:                           |                       |                      |   |                       |
| Capital assets, not being depreciated:             |                       |                      |   |                       |
| Land   | \$ 5,120,256          | \$ 59,140            | \$ -  | \$ 5,179,396          |
| Construction in progress                           | 6,961,375             | 36,504,537           | -   | 43,465,912            |
| Total capital assets, not being depreciated        | 12,081,631            | 36,563,677           | -   | 48,645,308            |
| Capital assets, being depreciated:                 |                       |                      |   |                       |
| Buildings and improvements                         | 238,733,244           | 1,620,051            | -   | 240,353,295           |
| Furniture and equipment                            | 29,266,840            | 1,013,606            | -   | 30,280,446            |
| Total capital assets, being depreciated            | 268,000,084           | 2,633,657            | -   | 270,633,741           |
| Less accumulated depreciation for:                 |                       |                      |   |                       |
| Buildings and improvements                         | (84,810,381)          | (4,742,299)          | -   | (89,552,680)          |
| Furniture and equipment                            | (12,858,561)          | (3,133,703)          | -   | (15,992,264)          |
| Total accumulated depreciation                     | (97,668,942)          | (7,876,002)          | -   | (105,544,944)         |
| Total capital assets, being depreciated, net       | 170,331,142           | (5,242,345)          | -   | 165,088,797           |
| <b>Governmental activities capital assets, net</b> | <b>\$ 182,412,773</b> | <b>\$ 31,321,332</b> | <b>\$ -</b>                                   | <b>\$ 213,734,105</b> |

## Texas City Independent School District

### Notes to the Financial Statements

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

|   |                     |
|---|---------------------|
| Governmental activities:                                  |                     |
| 11 Instruction  | \$ 4,788,966        |
| 12 Instructional resources and media services             | 100,137             |
| 13 Curriculum and instructional staff development         | 108,244             |
| 21 Instructional leadership                               | 163,877             |
| 23 School leadership                                      | 547,740             |
| 31 Guidance, counseling, and evaluation services          | 255,560             |
| 32 Social work services                                   | 24,436              |
| 33 Health services  | 83,155              |
| 34 Student transportation                                 | 234,626             |
| 35 Food services  | 230,066             |
| 36 Extracurricular activities                             | 181,276             |
| 41 General administration                                 | 283,499             |
| 51 Plant maintenance and operations                       | 602,042             |
| 52 Security and monitoring services                       | 133,311             |
| 53 Data processing services                               | 114,980             |
| 61 Community services                                     | 24,087              |
|   | <hr/>               |
| <b>Total depreciation expense-governmental activities</b> | <b>\$ 7,876,002</b> |

### Construction Commitments

The District has active construction projects as of August 31, 2020. The projects include the construction and equipment of school facilities. At year end, the District's commitments with contractors are as follows:

| <u>Project</u>      | <u>Remaining<br/>Commitment</u> |
|---------------------|---------------------------------|
| Guajardo Elementary | \$ 6,582,459                    |
| Hayley Elementary   | 8,026,575                       |
| Simms Elementary    | 7,231,385                       |
|                     | <hr/>                           |
| <b>Total</b>        | <b>\$ 21,840,419</b>            |

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

### E. Long-term Liabilities

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

# Texas City Independent School District

## Notes to the Financial Statements

### Changes in Long-term Liabilities

Long-term liability activity for the fiscal year ended August 31, 2020, was as follows:

|  | Beginning<br>Balance  | Additions<br>(Adjustments) | Reductions             | Ending<br>Balance     | Due Within<br>One Year |
|--|-----------------------|----------------------------|------------------------|-----------------------|------------------------|
| Governmental activities:                                 |                       |                            |                        |                       |                        |
| Bonds payable:   |                       |                            |                        |                       |                        |
| General obligation bonds                                 | \$ 213,525,000        | \$ 13,365,000              | \$ (27,390,000)        | \$ 199,500,000        | \$ 11,325,000          |
| Issuance premiums  | 22,470,713            | 3,119,905                  | (3,135,412)            | 22,455,206            | -                      |
| Total bonds payable                                      | 235,995,713           | 16,484,905                 | (30,525,412)           | 221,955,206           | 11,325,000             |
| Note payable   | 1,640,000             | -                          | (815,000)              | 825,000               | 825,000                |
| Workers' compensation                                    | 498,359               | 113,620                    | (267,181)              | 344,798               | 200,000                |
| Compensated absences                                     | 1,202,841             | 161,980                    | (134,241)              | 1,230,580             | 109,000                |
| Net pension liability                                    | 34,122,953            | 4,572,659                  | (6,769,834)            | 31,925,778            | -                      |
| Net OPEB liability                                       | 41,182,504            | 3,862,085                  | (7,540,350)            | 37,504,239            | -                      |
| <b>Governmental activities<br/>long-term liabilities</b> | <b>\$ 314,642,370</b> | <b>\$ 25,195,249</b>       | <b>\$ (46,052,018)</b> | <b>\$ 293,785,601</b> | <b>\$ 12,459,000</b>   |

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

### 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<br>Rate | Original<br>Issue | Maturity<br>Date | Beginning<br>Balance  | Additions            | Reductions             | Ending<br>Balance     |
|-----------------|------------------|-------------------|------------------|-----------------------|----------------------|------------------------|-----------------------|
| 2010A BLDG      | 2.00-5.00%       | 25,810,000        | 8/15/2030        | \$ 17,550,000         | \$ -                 | \$ (17,550,000)        | \$ -                  |
| 2011 BLDG       | 2.50-4.00%       | 8,845,000         | 8/15/2030        | 5,550,000             | -                    | (420,000)              | 5,130,000             |
| 2011 REF        | 4.00-5.00%       | 19,410,000        | 2/15/2025        | 12,975,000            | -                    | (1,905,000)            | 11,070,000            |
| 2015 REF        | 2.00-5.00%       | 44,050,000        | 8/15/2030        | 38,195,000            | -                    | (2,825,000)            | 35,370,000            |
| 2017 REF        | 3.00-4.00%       | 8,900,000         | 8/15/2030        | 8,900,000             | -                    | -                      | 8,900,000             |
| 2018 BLDG       | 3.50-5.00%       | 70,000,000        | 8/15/2048        | 66,480,000            | -                    | (2,730,000)            | 63,750,000            |
| 2019 BLDG & REF | 3.125-5.00%      | 63,875,000        | 8/15/2049        | 63,875,000            | -                    | (1,960,000)            | 61,915,000            |
| 2020 REF        | 5.00%            | 13,365,000        | 8/15/2030        | -                     | 13,365,000           | -                      | 13,365,000            |
| <b>Totals</b>   |                  |                   |                  | <b>\$ 213,525,000</b> | <b>\$ 13,365,000</b> | <b>\$ (27,390,000)</b> | <b>\$ 199,500,000</b> |



## Texas City Independent School District

### Notes to the Financial Statements

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

| Year Ending<br>August 31, | Principal             | Interest             | Total<br>Requirements |
|---------------------------|-----------------------|----------------------|-----------------------|
| 2021                      | \$ 11,325,000         | \$ 8,848,744         | \$ 20,173,744         |
| 2022                      | 11,975,000            | 8,151,456            | 20,126,456            |
| 2023                      | 13,125,000            | 7,646,056            | 20,771,056            |
| 2024                      | 13,695,000            | 7,023,106            | 20,718,106            |
| 2025                      | 13,850,000            | 6,339,781            | 20,189,781            |
| 2026                      | 11,910,000            | 5,713,406            | 17,623,406            |
| 2027                      | 12,260,000            | 5,128,806            | 17,388,806            |
| 2028                      | 12,600,000            | 4,543,605            | 17,143,605            |
| 2029                      | 11,255,000            | 3,949,956            | 15,204,956            |
| 2030                      | 11,635,000            | 3,518,207            | 15,153,207            |
| 2031                      | 5,460,000             | 3,071,406            | 8,531,406             |
| 2032                      | 4,860,000             | 2,798,406            | 7,658,406             |
| 2033                      | 5,150,000             | 2,555,406            | 7,705,406             |
| 2034                      | 5,340,000             | 2,335,906            | 7,675,906             |
| 2035                      | 3,010,000             | 2,107,907            | 5,117,907             |
| 2036                      | 3,125,000             | 1,987,506            | 5,112,506             |
| 2037                      | 3,250,000             | 1,862,507            | 5,112,507             |
| 2038                      | 3,375,000             | 1,732,505            | 5,107,505             |
| 2039                      | 3,515,000             | 1,597,507            | 5,112,507             |
| 2040                      | 3,655,000             | 1,469,557            | 5,124,557             |
| 2041                      | 3,795,000             | 1,345,476            | 5,140,476             |
| 2042                      | 3,940,000             | 1,213,182            | 5,153,182             |
| 2043                      | 3,920,000             | 1,075,806            | 4,995,806             |
| 2044                      | 4,075,000             | 928,850              | 5,003,850             |
| 2045                      | 4,230,000             | 776,000              | 5,006,000             |
| 2046                      | 4,405,000             | 606,800              | 5,011,800             |
| 2047                      | 4,595,000             | 430,600              | 5,025,600             |
| 2048                      | 4,770,000             | 246,800              | 5,016,800             |
| 2049                      | 1,400,000             | 56,000               | 1,456,000             |
| <b>Totals</b>             | <b>\$ 199,500,000</b> | <b>\$ 89,061,250</b> | <b>\$ 288,561,250</b> |

As of August 31, 2020, the District had no authorized but unissued bonds.

In prior and current fiscal years, the District defeased certain bonds through the issuance of new bonds and placed the proceeds in an irrevocable trust to provide for all future debt service payments of the old bonds. Securities being utilized to repay the refinanced debt as it becomes due consist solely of U.S. government obligations. Accordingly, the trust account securities and the liability for the defeased bonds are not included in the Districts basic financial statements. At August 31, 2020, the District had no outstanding defeased bonds.

In June 2020, the District issued \$13,365,000 of unlimited tax refunding bonds. The proceeds of the refunding bonds were used to legally defease \$16,305,000 of previously issued District bonds in order to lower its overall debt services requirements. The net carrying value of the old debt exceeded the reacquisition price by \$1,351,732. The amount is netted against the new debt and amortized over the life of the new debt. The refunding resulted in a debt service savings of \$3,646,388, a present value savings of \$3,457,071.

# Texas City Independent School District

## Notes to the Financial Statements

### Note Payable

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

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

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

| Description               | Interest Rate | Original Issue | Maturity Date | Beginning Balance   | Additions   | Reductions          | Ending Balance    |
|---------------------------|---------------|----------------|---------------|---------------------|-------------|---------------------|-------------------|
| 2016 Maintenance Tax Note | 0.75%-1.35%   | \$ 4,050,000   | 3/1/2021      | \$ 1,640,000        | \$ -        | \$ (815,000)        | \$ 825,000        |
| <b>Totals</b>             |               |                |               | <u>\$ 1,640,000</u> | <u>\$ -</u> | <u>\$ (815,000)</u> | <u>\$ 825,000</u> |

Requirements for notes payable are as follows:

| Year Ending August 31, | Principal         | Interest         | Total Requirements |
|------------------------|-------------------|------------------|--------------------|
| 2021                   | \$ 825,000        | \$ 11,138        | \$ 836,138         |
| <b>Totals</b>          | <u>\$ 825,000</u> | <u>\$ 11,138</u> | <u>\$ 836,138</u>  |

### F. Fund Balance

Other assigned fund balance includes the following assignments of funds:

|   |                      |
|---|----------------------|
| General fund - catastrophic events                | \$ 15,000,000        |
| General fund - campus activity                    | 2,500,000            |
| General fund -property value lawsuits/settlements | 10,000,000           |
| General fund - purchases on order                 | 640,433              |
| <b>Total other assigned fund balance</b>          | <u>\$ 28,140,433</u> |

# Texas City Independent School District

## Notes to the 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<br>Service      | Capital<br>Projects | Nonmajor<br>Funds   | Totals               |
|--|----------------------|----------------------|---------------------|---------------------|----------------------|
| Property taxes                             | \$ 56,035,151        | \$ 17,986,595        | \$ -                | \$ -                | \$ 74,021,746        |
| Investment earnings                        | 1,187,656            | 258,776              | 1,939,360           | 8,107               | 3,393,899            |
| Food service                               | -                    | -                    | -                   | 391,494             | 391,494              |
| Extracurricular student activities         | 131,044              | -                    | -                   | 746,934             | 877,978              |
| Foreign trade zone tax equivalency payment | 3,441,372            | -                    | -                   | -                   | 3,441,372            |
| Other                                      | 982,333              | -                    | 130,846             | -                   | 1,113,179            |
| <b>Totals</b>                              | <b>\$ 61,777,556</b> | <b>\$ 18,245,371</b> | <b>\$ 2,070,206</b> | <b>\$ 1,146,535</b> | <b>\$ 83,239,668</b> |

### Note 4. Other Information

#### A. Risk Management

##### Property/Liability

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

##### Health Care Coverage

During the year ended August 31, 2020, employees of the District were covered by TRS-Active Care (the Plan) a statewide health coverage program for Texas public education employees, implemented by the Teacher Retirement System of Texas (TRS). The District paid premiums of \$177 per month, per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to the TRS. The legislature created the Plan for public school employee group health coverage in 2002-03, requiring all Districts with fewer than 500 employees to participate in the Plan.

##### Workers' Compensation

During the year ended August 31, 2020, 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, 2020, to \$350,000 per occurrence with a maximum level of indemnity of \$5,000,000.

## Texas City Independent School District

### Notes to the 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 \$350,000 up to the statutory limits for any given claim. There were no significant reductions in insurance coverage from the prior year. Settlements have not exceeded coverages for each of the past two fiscal years. Changes in the balances of claims liabilities during the past two years are as follows:

|  | Year Ended<br>8/31/2020  | Year Ended<br>8/31/2019  |
|--|--------------------------|--------------------------|
| Unpaid claims, beginning of fiscal year                    | \$ 498,359               | \$ 387,984               |
| Incurred claims, including provision (adjustment) for IBNR | 113,620                  | 345,407                  |
| Claim payments   | <u>(267,181)</u>         | <u>(235,032)</u>         |
| <b>Unpaid claims, end of fiscal year</b>                   | <b><u>\$ 344,798</u></b> | <b><u>\$ 498,359</u></b> |

#### B. Litigation and Contingencies

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

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, 2020, 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 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 Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at [http://www.trs.texas.gov/Pages/about\\_archive\\_cafr.aspx](http://www.trs.texas.gov/Pages/about_archive_cafr.aspx); by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

### 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

Employee contribution rates are set in state statute, Texas Government Code 825.402. 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.

Rates for such plan fiscal years are as follows:

|  | Contribution Rates |      |
|--|--------------------|------|
|  | 2020               | 2019 |
| Member                                   | 7.7%               | 7.7% |
| Non-employer contributing entity (State) | 7.5%               | 6.8% |
| Employers (District)                     | 7.5%               | 6.8% |
| Employers (District - Non-OASDI)*        | 1.5%               | 1.5% |

\*SB12 requires an increase in employer contributions by public school districts, charter schools and regional education service centers. Prior to SB12, only those employers not participating in social security were required to pay a 1.5% contributions (Non-OASDI surcharge). Beginning September 1, 2019 all employers are required to pay the Public Education Employer contribution irrespective of participation in social security.

# Texas City Independent School District

## Notes to the Financial Statements

The contribution amounts for the District's fiscal year 2020 are as follows:

|                                      |              |
|--------------------------------------|--------------|
| District contributions               | \$ 2,424,798 |
| Member contributions                 | 4,854,688    |
| NECE on-behalf contributions (State) | 3,074,064    |

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, 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 part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, local or non-educational and general 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.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the member's salary.

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

At August 31, 2020, the District reported a liability of \$31,925,778 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                           | \$ 31,925,778               |
| State's proportionate share of the net pension liability associated with the District | <u>38,262,365</u>           |
| <b>Total</b>  | <u><u>\$ 70,188,143</u></u> |

## Texas City Independent School District

### Notes to the Financial Statements

The net pension liability was measured as of August 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as August 31, 2018 rolled forward to August 31, 2019. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2018 through August 31, 2019.

At the measurement date of August 31, 2019, the District's proportion of the collective net pension liability was 0.0614157% which was a decrease of 0.0005783% from its proportion measured as of August 31, 2018.

For the fiscal year ended August 31, 2020, the District recognized pension expense of \$12,771,396 and revenue of \$6,010,478 for support provided by the State.

At August 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
|   | <u>                    </u>          | <u>                    </u>         |
| Differences between expected and actual experience  | \$ 134,117                           | \$ 1,108,514                        |
| Changes of assumptions  | 9,904,944                            | 4,093,192                           |
| Difference between projected and actual earnings on<br>pension plan investments                                       | 320,572                              | -                                   |
| Changes in proportion and difference between District's<br>contributions and the proportionate share of contributions | 6,773,838                            | 4,152,887                           |
| District contributions paid subsequent to the measurement date  | <u>2,424,798</u>                     | <u>-</u>                            |
| <b>Totals</b>   | <u>\$ 19,558,269</u>                 | <u>\$ 9,354,593</u>                 |

\$2,424,798 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

|               | Year Ending<br>August 31,   |
|---------------|-----------------------------|
|               | <u>                    </u> |
| 2021          | \$ 2,086,792                |
| 2022          | 1,721,232                   |
| 2023          | 2,118,393                   |
| 2024          | 1,844,110                   |
| 2025          | 314,859                     |
| Thereafter    | <u>(306,508)</u>            |
| <b>Totals</b> | <u>\$ 7,778,878</u>         |

## Texas City Independent School District

### Notes to the Financial Statements

#### Actuarial Methods and Assumptions

The actuarial valuation of the total pension liability was performed as of August 31, 2018. Update procedures were used to roll forward the total pension liability to August 31, 2019 and was determined using the following actuarial methods and assumptions:

|   |  |
|---|--|
| Actuarial cost method                                       | Individual entry age normal  |
| Asset valuation method                                      | Market value   |
| Single discount rate  | 7.25%  |
| Long-term expected rate of return                           | 7.25%  |
| Municipal bond rate as of August 2019                       | 2.63%. Source for the rate is the Fixed Income Market Data / Yield Curve / Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."  |
| Last year ending August 31 in projection period (100 years) | 2116   |
| Inflation   | 2.30%  |
| Salary increases  | 3.05% to 9.05% including inflation   |
| Ad hoc postemployment benefit changes                       | None   |
| Active mortality rates                                      | Based on 90% of the RP 2014 Employing Mortality Tables for males and females with full generational mortality. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables with full generational projection using the ultimate improvement rates from the most recently published projection scale U-MP. |

The actuarial methods and assumptions are primarily based on a study of actual experience for the three year period ending August 31, 2018 and adopted in July 2018.



## Texas City Independent School District

### Notes to the Financial Statements

#### Discount Rate and Long-Term Expected Rate of Return

A single discount rate of 7.25% 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 7.25%. 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 statutorily required rates. 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 arithmetic real rates of return for each major asset class included in TRS's target asset allocation as of August 31, 2019 are summarized below:

| Asset Class                                  | Target Allocation* | Long-term Expected Arithmetic Real Rate of Return |
|--|--------------------|---|
| Global equity:                               |                    |   |
| U.S.   | 18.00%             | 5.70%   |
| Non-U.S. developed                           | 13.00%             | 6.90%   |
| Emerging markets                             | 9.00%              | 8.95%   |
| Directional hedge funds                      | 4.00%              | 3.53%   |
| Private equity                               | 13.00%             | 10.18%  |
| Stable value:                                |                    |   |
| U.S. treasuries                              | 11.00%             | 1.11%   |
| Stable value hedge funds                     | 4.00%              | 3.09%   |
| Real return:                                 |                    |   |
| Global inflation linked bonds                | 3.00%              | 0.70%   |
| Real estate                                  | 14.00%             | 5.21%   |
| Energy, natural resources and infrastructure | 5.00%              | 7.48%   |
| Risk parity:                                 |                    |   |
| Risk parity                                  | 5.00%              | 3.70%   |
| Asset allocation leverage cash               | 1.00%              | (0.30%)   |
| <b>Totals</b>                                | <b>100.00%</b>     |   |

\* FY 2019 target allocation based on the strategic asset allocation dated 10/1/2018.

# Texas City Independent School District

## Notes to the 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 7.25%, 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<br>(6.25%) | Current<br>Discount Rate<br>(7.25%) | 1% Increase<br>(8.25%) |
|---|------------------------|-------------------------------------|------------------------|
| District's proportionate share of the net pension liability | \$ 49,074,559          | \$ 31,925,778                       | \$ 18,031,956          |

### Change of Assumptions Since the Prior Measurement Date

- The single discount rate as of August 31, 2018 was a blended rate of 6.907% and that has changed to the long-term rate of return of 7.25% as of August 31, 2019.
- With the enactment of SB3 by the 2019 Texas Legislature, an assumption has been 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.

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

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

## D. Defined Other Postemployment Benefit Plan

### Plan Description

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

### OPEB Plan Fiduciary Net Position

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

### 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.

# Texas City Independent School District

## Notes to the Financial Statements

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.

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>2020</u>               | <u>2019</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 2020 are as follows:

|                                      |            |
|--------------------------------------|------------|
| District contributions               | \$ 585,018 |
| Member contributions                 | 409,711    |
| NECE on-behalf contributions (State) | 878,365    |

## Texas City Independent School District

### Notes to the Financial Statements

In addition, the State of Texas contributed \$300,588, \$234,071 and \$187,514 in 2020, 2019, and 2018, respectively, for on-behalf payments for Medicare Part D.

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.

TRS-Care received a supplemental appropriation from the State of Texas as the Non-Employer Contributing Entity in the amount of \$73.6 million in fiscal year 2019.

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

At August 31, 2020, the District reported a liability of \$37,504,239 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District are as follows:

|  |                                    |
|--|------------------------------------|
| District's proportionate share of the net OPEB liability                           | \$ 37,504,239                      |
| State's proportionate share of the net OPEB liability associated with the District | <u>49,834,747</u>                  |
| <b>Total</b>   | <b><u><u>\$ 87,338,986</u></u></b> |

The net OPEB liability was measured as of August 31, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as August 31, 2018 rolled forward to August 31, 2019. 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, 2018 through August 31, 2019.

At the measurement date of August 31, 2019, the employer's proportion of the collective net OPEB liability was 0.0793049% which was a decrease of 0.0031741% from its proportion measured as of August 31, 2018.

For the fiscal year ended August 31, 2020, the District recognized OPEB expense of \$1,885,066 and revenue of \$1,313,439 for support provided by the State.

At August 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience  | \$ 1,839,902                         | \$ 6,137,171                        |
| Changes of assumptions  | 2,083,068                            | 10,087,720                          |
| Difference between projected and actual earnings on<br>OPEB plan investments  | 4,046                                | -                                   |
| Changes in proportion and difference between District's<br>contributions and the proportionate share of contributions | 128                                  | 3,559,954                           |
| District contributions paid subsequent to the measurement date  | <u>585,018</u>                       | <u>-</u>                            |
| <b>Totals</b>   | <b><u><u>\$ 4,512,162</u></u></b>    | <b><u><u>\$19,784,845</u></u></b>   |

## Texas City Independent School District

### Notes to the Financial Statements

\$585,018 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, 2021. 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<br/>August 31,</u> |                               |
|--|-----------------------------------|-------------------------------|
|  | 2021                              | \$ (2,544,142)                |
|  | 2022                              | (2,544,142)                   |
|  | 2023                              | (2,545,452)                   |
|  | 2024                              | (2,546,201)                   |
|  | 2025                              | (2,545,996)                   |
|  | Thereafter                        | <u>(3,131,768)</u>            |
|  | <b>Total</b>                      | <b><u>\$ (15,857,701)</u></b> |

#### Actuarial Methods and Assumptions

The actuarial valuation of the total OPEB liability was performed as of August 31, 2018. Update procedures were used to roll forward the total OPEB liability to August 31, 2019.

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, 2019 TRS annual pension actuarial valuation:

| <u>Demographic Assumptions</u> | <u>Economic Assumptions</u> |
|--------------------------------|-----------------------------|
| Rates of mortality             | General inflation           |
| Rates of retirement            | Wage inflation              |
| Rates of termination           | Salary increases            |
| 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 initial medical trend rates were 10.25% for Medicare retirees and 7.50% for non-Medicare retirees. There was an initial prescription drug trend rate of 10.25% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.50 % over a period of 13 years.

## Texas City Independent School District

### Notes to the Financial Statements

The following methods and additional assumptions were used in the TRS-Care OPEB valuation:

|                                       |  |
|---------------------------------------|--|
| Actuarial cost method                 | Individual entry age normal  |
| Single discount rate                  | 2.63%  |
| Aging factors                         | Based on plan specific experience  |
| Election rates                        | Normal retirement: 65% participation prior to age 65 and 50% after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65. |
| Expenses                              | Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.               |
| Ad hoc postemployment benefit changes | None   |

The impact of the Cadillac Tax that is returning in fiscal year 2023 has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.30%.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by a 25 basis point addition to the long-term trend rate assumption.

#### Discount Rate

A single discount rate of 2.63% was used to measure the total OPEB liability at August 31, 2019. This was a decrease of 1.06% in the discount rate since the August 31, 2018 measurement date. The plan is essentially a "pay-as-you-go" plan, and based on the assumption that contributions are made at the statutorily required rates, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments to current members and therefore, the single discount rate is equal to the prevailing municipal bond rate. 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".

## Texas City Independent School District

### Notes to the Financial Statements

#### Sensitivity Analysis of Rates

##### Discount Rate

The following table presents the District's proportionate share of the TRS-Care net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that was 1% less than and 1% greater than the discount rate that was used (2.63%) in measuring the net OPEB liability.

|  | <u>1% Decrease<br/>(1.63%)</u> | <u>Current<br/>Discount Rate<br/>(2.63%)</u> | <u>1% Increase<br/>(3.63%)</u> |
|--|--------------------------------|--|--------------------------------|
| District's proportionate share of the net OPEB liability | \$ 45,279,653                  | \$ 37,504,239                                | \$ 31,421,529                  |

##### 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:

|  | <u>1% Decrease</u> | <u>Current<br/>Healthcare Cost<br/>Trend Rate</u> | <u>1% Increase</u> |
|--|--------------------|---|--------------------|
| District's proportionate share of the net OPEB liability | \$ 30,594,644      | \$ 37,504,239                                     | \$ 46,759,928      |

#### 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 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019. This change increased the total 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. There was no lapse assumption in the prior valuation. These changes decreased the total OPEB liability.
- The trend rates were reset to better reflect the plan's anticipated experience. This change increased the total OPEB liability.
- 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%. These changes decreased the total OPEB liability.

## Texas City Independent School District

### Notes to the Financial Statements

#### **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 2020, the District received textbooks purchased by the State of Texas for the benefit of the District for a purchase price of \$521,817. The District receives the textbooks as part of state funding for textbook allotment. The textbooks have been recorded in the amount of \$521,817 in a special revenue fund as both state revenues and expenditures, which represents the amount of consideration given by the State of Texas.

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

##### **Shared Service Arrangements:**

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

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

#### **G. Subsequent Events**

In March 2020, the World Health Organization declared the novel coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected public education, workforces, economies, and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses and organizations. It is not possible for management to predict the duration or magnitude of the adverse results of the outbreak and its disruptive effects on the District's operations and financial results at this time.

In December 2020, the District will issue \$8,535,000 Series 2020A Unlimited Tax Refunding Bonds. The 2020A issuance will refund \$9,065,000 of the District's Series 2011 Unlimited Tax Refunding Bonds and are scheduled to mature on February 15, 2025.



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## Required Supplementary Information

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**Texas City Independent School District**  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Budget and Actual  
General Fund  
For the Fiscal Year Ended August 31, 2020

**Exhibit G-1**

| Data<br>Control<br>Codes               |   | 1                    | 2                    | 3                    | Variance with<br>Final Budget |
|--|---|----------------------|----------------------|----------------------|-------------------------------|
|  |   | Budgeted Amounts     |                      | Actual               | Positive<br>(Negative)        |
|  |   | Original             | Final                |                      |                               |
| <b>REVENUES:</b>                       |   |                      |                      |                      |                               |
| 5700                                   | Local and intermediate sources                              | \$ 60,008,230        | \$ 60,972,430        | \$ 61,777,556        | \$ 805,126                    |
| 5800                                   | State program revenues                                      | 42,265,803           | 42,984,197           | 44,183,058           | 1,198,861                     |
| 5900                                   | Federal program revenues                                    | 2,570,000            | 7,998,796            | 1,945,926            | (6,052,870)                   |
| 5020                                   | Total revenues  | 104,844,033          | 111,955,423          | 107,906,540          | (4,048,883)                   |
| <b>EXPENDITURES:</b>                   |   |                      |                      |                      |                               |
| Current:                               |   |                      |                      |                      |                               |
| 0011                                   | Instruction   | 45,769,092           | 47,101,908           | 45,588,931           | 1,512,977                     |
| 0012                                   | Instructional resources and media services                  | 1,112,289            | 1,119,077            | 1,064,355            | 54,722                        |
| 0013                                   | Curriculum and instructional staff development              | 968,856              | 1,077,585            | 823,544              | 254,041                       |
| 0021                                   | Instructional leadership                                    | 821,575              | 960,678              | 798,164              | 162,514                       |
| 0023                                   | School leadership   | 5,434,199            | 5,480,838            | 5,225,356            | 255,482                       |
| 0031                                   | Guidance, counseling, and evaluation services               | 2,463,129            | 2,531,567            | 2,188,656            | 342,911                       |
| 0032                                   | Social work services  | 188,405              | 208,405              | 158,373              | 50,032                        |
| 0033                                   | Health services   | 901,264              | 897,848              | 897,454              | 394                           |
| 0034                                   | Student transportation                                      | 3,573,279            | 3,201,990            | 2,336,980            | 865,010                       |
| 0036                                   | Extracurricular activities                                  | 3,245,740            | 3,818,244            | 3,246,936            | 571,308                       |
| 0041                                   | General administration                                      | 3,427,414            | 3,840,395            | 3,565,738            | 274,657                       |
| 0051                                   | Plant maintenance and operations                            | 12,766,716           | 17,283,359           | 15,445,417           | 1,837,942                     |
| 0052                                   | Security and monitoring services                            | 3,423,523            | 3,448,617            | 3,110,384            | 338,233                       |
| 0053                                   | Data processing services                                    | 3,196,071            | 2,984,497            | 2,580,887            | 403,610                       |
| 0061                                   | Community services  | 38,704               | 39,954               | 15,716               | 24,238                        |
| Debt services:                         |   |                      |                      |                      |                               |
| 0071                                   | Principal on long-term debt                                 | 815,000              | 815,000              | 815,000              | -                             |
| 0072                                   | Interest on long-term debt                                  | 10,255               | 20,855               | 20,509               | 346                           |
| 0073                                   | Issuance costs and fees                                     | -                    | 400                  | 400                  | -                             |
| Capital outlay:                        |   |                      |                      |                      |                               |
| 0081                                   | Facilities acquisition and construction                     | 195,545              | 227,285              | 133,754              | 93,531                        |
| Intergovernmental:                     |   |                      |                      |                      |                               |
| 0091                                   | Contracted instructional services between schools           | 1,317,740            | 1,317,740            | 183,450              | 1,134,290                     |
| 0093                                   | Payments related shares services arrangements               | 400,000              | 400,000              | 329,659              | 70,341                        |
| 0095                                   | Payments to juvenile justice alternative education programs | 55,000               | 55,000               | -                    | 55,000                        |
| 0099                                   | Other intergovernmental charges                             | 672,810              | 622,810              | 616,127              | 6,683                         |
| 6030                                   | Total expenditures  | 90,796,606           | 97,454,052           | 89,145,790           | 8,308,262                     |
| 1100                                   | Excess (deficiency) of revenues<br>over expenditures        | 14,047,427           | 14,501,371           | 18,760,750           | 4,259,379                     |
| <b>OTHER FINANCING SOURCES (USES):</b> |   |                      |                      |                      |                               |
| 8911                                   | Transfers out   | (5,000,000)          | (5,000,000)          | (25,000,000)         | (20,000,000)                  |
| 7080                                   | Total other financing sources (uses)                        | (5,000,000)          | (5,000,000)          | (25,000,000)         | (20,000,000)                  |
| 1200                                   | Net change in fund balance                                  | 9,047,427            | 9,501,371            | (6,239,250)          | (15,740,621)                  |
| 0100                                   | Fund balance - beginning                                    | 75,942,955           | 75,942,955           | 75,942,955           | -                             |
| 3000                                   | <b>FUND BALANCE - ENDING</b>                                | <b>\$ 84,990,382</b> | <b>\$ 85,444,326</b> | <b>\$ 69,703,705</b> | <b>\$ (15,740,621)</b>        |

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

## Texas City Independent School District

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

|  | <u>2020</u>                 |
|--|-----------------------------|
| District's proportion of the net pension liability   | 0.0614157%                  |
| District's proportionate share of the net pension liability  | \$ 31,925,778               |
| State's proportionate share of the net pension liability associated with the District              | <u>38,262,365</u>           |
| <b>TOTALS</b>  | <b><u>\$ 70,188,143</u></b> |
| District's covered payroll   | 60,668,699                  |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 52.62%                      |
| Plan fiduciary net position as a percentage of the total pension liability                         | 75.24%                      |

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

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

| <u>2019</u>          | <u>2018</u>          | <u>2017</u>          | <u>2016</u>          | <u>2015**</u>        |
|----------------------|----------------------|----------------------|----------------------|----------------------|
| 0.0619939%           | 0.0670813%           | 0.0536378%           | 0.0551546%           | 0.0370889%           |
| \$ 34,122,953        | \$ 21,448,971        | \$ 20,268,931        | \$ 19,496,417        | \$ 9,906,958         |
| <u>45,031,447</u>    | <u>25,889,561</u>    | <u>28,937,450</u>    | <u>29,089,883</u>    | <u>25,393,310</u>    |
| <u>\$ 79,154,400</u> | <u>\$ 47,338,532</u> | <u>\$ 49,206,381</u> | <u>\$ 48,586,300</u> | <u>\$ 35,300,268</u> |
| 60,458,695           | 60,256,723           | 50,996,372           | 50,195,373           | 45,436,168           |
| 56.44%               | 35.60%               | 39.75%               | 38.84%               | 21.80%               |
| 73.74%               | 82.17%               | 78.00%               | 78.43%               | 83.25%               |

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

|  | <u>2020</u>        |
|--|--------------------|
| Contractually required contributions                                     | \$ 2,424,798       |
| Contributions in relation to the contractually<br>required contributions | <u>(2,424,798)</u> |
| <b>CONTRIBUTION DEFICIENCY (EXCESS)</b>                                  | <u><u>\$ -</u></u> |
| District's covered payroll   | \$ 63,026,972      |
| Contributions as a percentage of covered<br>payroll                      | 3.85%              |

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

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

Exhibit G-3

| <u>2019</u>        | <u>2018</u>        | <u>2017</u>        | <u>2016</u>        | <u>2015**</u>      |
|--------------------|--------------------|--------------------|--------------------|--------------------|
| \$ 2,117,225       | \$ 2,087,351       | \$ 2,198,532       | \$ 1,702,088       | \$ 1,633,154       |
| <u>(2,117,225)</u> | <u>(2,087,351)</u> | <u>(2,198,532)</u> | <u>(1,702,088)</u> | <u>(1,633,154)</u> |
| <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        |
| \$ 60,668,699      | \$ 60,458,695      | \$ 60,256,723      | \$ 50,996,372      | \$ 50,195,373      |
| 3.49%              | 3.45%              | 3.65%              | 3.34%              | 3.25%              |



## Texas City Independent School District

Exhibit G-4

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

|   | <u>2020</u>          | <u>2019</u>          | <u>2018</u>          |
|---|----------------------|----------------------|----------------------|
| District's proportion of the net OPEB liability   | 0.0793049%           | 0.0824790%           | 0.0862308%           |
| District's proportionate share of the net OPEB liability  | \$ 37,504,239        | \$ 41,182,504        | \$ 37,498,549        |
| State's proportionate share of the net OPEB liability associated with the District              | <u>49,834,747</u>    | <u>48,954,608</u>    | <u>44,689,617</u>    |
| <b>TOTALS</b>   | <u>\$ 87,338,986</u> | <u>\$ 90,137,112</u> | <u>\$ 82,188,166</u> |
| District's covered payroll  | \$ 60,668,699        | \$ 60,458,695        | \$ 60,256,723        |
| District's proportionate share of the net OPEB liability as a percentage of its covered payroll | 61.82%               | 68.12%               | 62.23%               |
| Plan fiduciary net position as a percentage of the total OPEB liability                         | 2.66%                | 1.57%                | 0.91%                |

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

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

**Exhibit G-5**

|  | <u>2020</u>      | <u>2019</u>      | <u>2018</u>      |
|--|------------------|------------------|------------------|
| Contractually required contributions                                     | \$ 585,018       | \$ 594,237       | \$ 569,522       |
| Contributions in relation to the contractually<br>required contributions | <u>(585,018)</u> | <u>(594,237)</u> | <u>(569,522)</u> |
| <b>CONTRIBUTION DEFICIENCY (EXCESS)</b>                                  | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| District's covered payroll   | \$ 63,026,972    | \$ 60,668,699    | \$ 60,458,695    |
| Contributions as a percentage of covered<br>payroll                      | 0.93%            | 0.98%            | 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.

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**Texas City Independent School District**  
Notes to the Required Supplementary Information

**Note 1. Budget**

**Budgetary Information**

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

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

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

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

**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      |
| 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%                            |                    |

**Texas City Independent School District**  
Notes to the Required Supplementary Information

**Changes in demographic and economic assumptions**

For measurement dates August 31, 2019 and 2014-2017 – No changes in 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.

## Supplementary Information

Texas City Independent School District  
Combining Balance Sheet  
Nonmajor Governmental Funds  
Special Revenue Funds  
August 31, 2020

|   | 204                                | 205               | 206  |
|---|------------------------------------|-------------------|--|
| <u>Data Control Codes</u>                       | <u>Title IV, Part A, Subpart 1</u> | <u>Head Start</u> | <u>ESSA, Title X, Part C - Education for the Homeless Children and Youth</u> |
| <b>ASSETS</b>                                   |                                    |                   |  |
| 1110 Cash and cash equivalents                  | \$ -                               | \$ 15,741         | \$ -   |
| 1120 Investments                                | -                                  | -                 | -  |
| 1240 Due from other governments                 | 16,250                             | -                 | 5,300  |
| 1290 Other receivables                          | -                                  | -                 | -  |
| 1300 Inventories                                | -                                  | -                 | -  |
| 1000 <b>TOTAL ASSETS</b>                        | <b>\$ 16,250</b>                   | <b>\$ 15,741</b>  | <b>\$ 5,300</b>  |
| <b>LIABILITIES</b>                              |                                    |                   |  |
| 2110 Accounts payable                           | \$ -                               | \$ 15,741         | \$ 1,794   |
| 2170 Due to other funds                         | 16,250                             | -                 | 3,506  |
| 2300 Unearned revenue                           | -                                  | -                 | -  |
| 2000 Total liabilities                          | 16,250                             | 15,741            | 5,300  |
| <b>FUND BALANCES</b>                            |                                    |                   |  |
| 3450 Restricted - grants                        | -                                  | -                 | -  |
| 3545 Committed - campus activity                | -                                  | -                 | -  |
| 3000 Total fund balances                        | -                                  | -                 | -  |
| 4000 <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <b>\$ 16,250</b>                   | <b>\$ 15,741</b>  | <b>\$ 5,300</b>  |

| 211   | 214                                    | 224                 | 225                            | 240   | 244                                    | 255   |
|---|--|---------------------|--------------------------------|---|--|---|
| ESSA Title I,<br>Part A -<br>Improving<br>Basic<br>Programs | Title I, 1003<br>School<br>Improvement | IDEA - B<br>Formula | IDEA - B<br>Preschool<br>Grant | National School<br>Breakfast/Lunch<br>Program | Career and<br>Technical<br>Basic Grant | ESSA Title II,<br>Part A:<br>Teacher &<br>Principal<br>Training &<br>Recruiting |
| \$ -  | \$ -                                   | \$ -                | \$ -                           | \$ 346,219                                    | \$ -                                   | \$ -  |
| -   | -                                      | -                   | -                              | 152,428                                       | -                                      | -   |
| 101,668   | -                                      | 8,988               | 685                            | 12,840  | 1,375                                  | 32,941  |
| -   | -                                      | -                   | -                              | 6,122   | -                                      | -   |
| -   | -                                      | -                   | -                              | 98,390  | -                                      | -   |
| <u>\$ 101,668</u>   | <u>\$ -</u>                            | <u>\$ 8,988</u>     | <u>\$ 685</u>                  | <u>\$ 615,999</u>                             | <u>\$ 1,375</u>                        | <u>\$ 32,941</u>  |
| \$ 11,426   | \$ -                                   | \$ -                | \$ 463                         | \$ 93,203                                     | \$ -                                   | \$ 13,923   |
| 90,242  | -                                      | 8,988               | 222                            | 26,444  | 1,375                                  | 19,018  |
| -   | -                                      | -                   | -                              | -   | -                                      | -   |
| 101,668   | -                                      | 8,988               | 685                            | 119,647                                       | 1,375                                  | 32,941  |
| -   | -                                      | -                   | -                              | 496,352                                       | -                                      | -   |
| -   | -                                      | -                   | -                              | -   | -                                      | -   |
| -   | -                                      | -                   | -                              | 496,352                                       | -                                      | -   |
| <u>\$ 101,668</u>   | <u>\$ -</u>                            | <u>\$ 8,988</u>     | <u>\$ 685</u>                  | <u>\$ 615,999</u>                             | <u>\$ 1,375</u>                        | <u>\$ 32,941</u>  |



Texas City Independent School District  
Combining Balance Sheet  
Nonmajor Governmental Funds  
Special Revenue Funds - Continued  
August 31, 2020

| <u>Data Control Codes</u> |  | 263  | 265   |
|---------------------------|--|--|---|
|                           |  | <u>Title III, Part A,<br/>English<br/>Language<br/>Acquisition<br/>and<br/>Enhancement</u> | <u>Title IV, Part B -<br/>21st Century<br/>Community<br/>Learning<br/>Centers</u> |
|                           | <b>ASSETS</b>                              |  |   |
| 1110                      | Cash and cash equivalents                  | \$ -   | \$ -  |
| 1120                      | Investments                                | -  | -   |
| 1240                      | Due from other governments                 | 378  | 61,395  |
| 1290                      | Other receivables                          | -  | -   |
| 1300                      | Inventories                                | -  | -   |
|                           |  | <hr/>  | <hr/>   |
| 1000                      | <b>TOTAL ASSETS</b>                        | <u>\$ 378</u>  | <u>\$ 61,395</u>  |
|                           | <b>LIABILITIES</b>                         |  |   |
| 2110                      | Accounts payable                           | \$ -   | \$ 1,060  |
| 2170                      | Due to other funds                         | 378  | 60,335  |
| 2300                      | Unearned revenue                           | -  | -   |
|                           |  | <hr/>  | <hr/>   |
| 2000                      | Total liabilities                          | 378  | 61,395  |
|                           | <b>FUND BALANCES</b>                       |  |   |
| 3450                      | Restricted - grants                        | -  | -   |
| 3545                      | Committed - campus activity                | -  | -   |
|                           |  | <hr/>  | <hr/>   |
| 3000                      | Total fund balances                        | -  | -   |
|                           |  | <hr/>  | <hr/>   |
| 4000                      | <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <u>\$ 378</u>  | <u>\$ 61,395</u>  |

| 276                                  | 289                                    | 397                                 | 410                       | 429                             | 461                     |   |
|--------------------------------------|--|-------------------------------------|---------------------------|---------------------------------|-------------------------|---|
| Instructional<br>Continuity<br>Grant | Other<br>Federally<br>Funded<br>Grants | Advanced<br>Placement<br>Incentives | State<br>Textbook<br>Fund | Other State<br>Funded<br>Grants | Campus<br>Activity Fund | Total<br>Nonmajor<br>Funds (See<br>Exhibit C-1) |
| \$ -                                 | \$ -                                   | \$ -                                | \$ -                      | \$ -                            | \$ 80,206               | \$ 442,166                                      |
| -                                    | -                                      | -                                   | 68,128                    | 1,050                           | 912,956                 | 1,134,562                                       |
| 42,000                               | -                                      | -                                   | -                         | -                               | -                       | 283,820   |
| -                                    | -                                      | -                                   | -                         | -                               | -                       | 6,122   |
| -                                    | -                                      | -                                   | -                         | -                               | -                       | 98,390  |
| <u>\$ 42,000</u>                     | <u>\$ -</u>                            | <u>\$ -</u>                         | <u>\$ 68,128</u>          | <u>\$ 1,050</u>                 | <u>\$ 993,162</u>       | <u>\$ 1,965,060</u>                             |
| \$ -                                 | \$ -                                   | \$ -                                | \$ -                      | \$ -                            | \$ 55,862               | \$ 193,472                                      |
| 42,000                               | -                                      | -                                   | 68,128                    | -                               | -                       | 336,886   |
| -                                    | -                                      | -                                   | -                         | 1,050                           | -                       | 1,050   |
| 42,000                               | -                                      | -                                   | 68,128                    | 1,050                           | 55,862                  | 531,408   |
| -                                    | -                                      | -                                   | -                         | -                               | -                       | 496,352   |
| -                                    | -                                      | -                                   | -                         | -                               | 937,300                 | 937,300   |
| -                                    | -                                      | -                                   | -                         | -                               | 937,300                 | 1,433,652                                       |
| <u>\$ 42,000</u>                     | <u>\$ -</u>                            | <u>\$ -</u>                         | <u>\$ 68,128</u>          | <u>\$ 1,050</u>                 | <u>\$ 993,162</u>       | <u>\$ 1,965,060</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, 2020

| Data<br>Control<br>Codes |  | 204                            | 205         | 206  |
|--------------------------|--|--------------------------------|-------------|--|
|                          |  | Title IV, Part A,<br>Subpart 1 | Head Start  | ESSA, Title X,<br>Part C -<br>Education for<br>the Homeless<br>Children and<br>Youth |
| <b>REVENUES</b>          |  |                                |             |  |
| 5700                     | Local and intermediate sources                 | \$ -                           | \$ -        | \$ -   |
| 5800                     | State program revenues                         | -                              | -           | -  |
| 5900                     | Federal program revenues                       | 136,242                        | 1,081,835   | 29,254   |
| 5020                     | Total revenues                                 | 136,242                        | 1,081,835   | 29,254   |
| <b>EXPENDITURES</b>      |  |                                |             |  |
| Current:                 |  |                                |             |  |
| 0011                     | Instruction                                    | 136,242                        | 678,676     | 26,187   |
| 0012                     | Instructional resources and media services     | -                              | -           | -  |
| 0013                     | Curriculum and instructional staff development | -                              | 81,219      | -  |
| 0021                     | Instructional leadership                       | -                              | -           | -  |
| 0023                     | School leadership                              | -                              | 102,702     | -  |
| 0031                     | Guidance, counseling, and evaluation services  | -                              | -           | -  |
| 0032                     | Social work services                           | -                              | -           | 2,623  |
| 0033                     | Health services                                | -                              | 25,630      | -  |
| 0034                     | Student transportation                         | -                              | 12,033      | -  |
| 0035                     | Food services                                  | -                              | -           | -  |
| 0036                     | Extracurricular activities                     | -                              | -           | -  |
| 0041                     | General administration                         | -                              | -           | -  |
| 0051                     | Plant maintenance and operations               | -                              | -           | -  |
| 0052                     | Security and monitoring services               | -                              | 32,225      | -  |
| 0053                     | Data processing services                       | -                              | -           | -  |
| 0061                     | Community services                             | -                              | 149,350     | 444  |
| 6030                     | Total expenditures                             | 136,242                        | 1,081,835   | 29,254   |
| 1200                     | Net change in fund balances                    | -                              | -           | -  |
| 0100                     | Fund balances - beginning                      | -                              | -           | -  |
| 3000                     | <b>FUND BALANCES - ENDING</b>                  | <b>\$ -</b>                    | <b>\$ -</b> | <b>\$ -</b>  |

| 211   | 214                                    | 224                 | 225                            | 240   | 244                                    | 255   |
|---|--|---------------------|--------------------------------|---|--|---|
| ESSA Title I,<br>Part A -<br>Improving<br>Basic<br>Programs | Title I, 1003<br>School<br>Improvement | IDEA - B<br>Formula | IDEA - B<br>Preschool<br>Grant | National<br>School<br>Breakfast/Lunc<br>h Program | Career and<br>Technical<br>Basic Grant | ESSA Title II,<br>Part A:<br>Teacher &<br>Principal<br>Training &<br>Recruiting |
| \$ -  | \$ -                                   | \$ -                | \$ -                           | \$ 399,601  | \$ -                                   | \$ -  |
| -   | -                                      | -                   | -                              | 94,586  | -                                      | -   |
| 3,556,947   | 67,150                                 | 1,946,482           | 35,103                         | 3,648,384   | 131,794                                | 331,060   |
| 3,556,947   | 67,150                                 | 1,946,482           | 35,103                         | 4,142,571   | 131,794                                | 331,060   |
| 3,148,937   | 67,150                                 | 1,378,152           | 35,103                         | -   | 131,794                                | 35,553  |
| -   | -                                      | -                   | -                              | -   | -                                      | -   |
| 120,823   | -                                      | 3,466               | -                              | -   | -                                      | 295,507   |
| -   | -                                      | -                   | -                              | -   | -                                      | -   |
| -   | -                                      | 68,647              | -                              | -   | -                                      | -   |
| 182,684   | -                                      | 496,217             | -                              | -   | -                                      | -   |
| 104,503   | -                                      | -                   | -                              | -   | -                                      | -   |
| -   | -                                      | -                   | -                              | -   | -                                      | -   |
| -   | -                                      | -                   | -                              | -   | -                                      | -   |
| -   | -                                      | -                   | -                              | 4,643,169   | -                                      | -   |
| -   | -                                      | -                   | -                              | -   | -                                      | -   |
| -   | -                                      | -                   | -                              | -   | -                                      | -   |
| -   | -                                      | -                   | -                              | -   | -                                      | -   |
| -   | -                                      | -                   | -                              | -   | -                                      | -   |
| -   | -                                      | -                   | -                              | -   | -                                      | -   |
| -   | -                                      | -                   | -                              | -   | -                                      | -   |
| 3,556,947   | 67,150                                 | 1,946,482           | 35,103                         | 4,643,169   | 131,794                                | 331,060   |
| -   | -                                      | -                   | -                              | (500,598)   | -                                      | -   |
| -   | -                                      | -                   | -                              | 996,950   | -                                      | -   |
| \$ -  | \$ -                                   | \$ -                | \$ -                           | \$ 496,352  | \$ -                                   | \$ -  |

**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, 2020

| <u>Data<br/>Control<br/>Codes</u>                   | 263  | 265   |
|---|--|---|
|   | <u>Title III, Part A,<br/>English<br/>Language<br/>Acquisition<br/>and<br/>Enhancement</u> | <u>Title IV, Part B -<br/>21st Century<br/>Community<br/>Learning<br/>Centers</u> |
| <b>REVENUES</b>                                     |  |   |
| 5700 Local and intermediate sources                 | \$ -   | \$ -  |
| 5800 State program revenues                         | -  | -   |
| 5900 Federal program revenues                       | 77,243   | 1,971,529   |
|   | <hr/>  | <hr/>   |
| 5020 Total revenues                                 | 77,243   | 1,971,529   |
| <b>EXPENDITURES</b>                                 |  |   |
| Current:  |  |   |
| 0011 Instruction                                    | 77,243   | 984,746   |
| 0012 Instructional resources and media services     | -  | -   |
| 0013 Curriculum and instructional staff development | -  | 2,712   |
| 0021 Instructional leadership                       | -  | 851,371   |
| 0023 School leadership                              | -  | 33,412  |
| 0031 Guidance, counseling, and evaluation services  | -  | -   |
| 0032 Social work services                           | -  | -   |
| 0033 Health services                                | -  | -   |
| 0034 Student transportation                         | -  | 16,584  |
| 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                             | -  | 82,704  |
|   | <hr/>  | <hr/>   |
| 6030 Total expenditures                             | 77,243   | 1,971,529   |
| 1200 Net change in fund balances                    | -  | -   |
| 0100 Fund balances - beginning                      | -  | -   |
|   | <hr/>  | <hr/>   |
| 3000 <b>FUND BALANCES - ENDING</b>                  | <u>\$ -</u>  | <u>\$ -</u>   |

| 276                                  | 289                                    | 397                                 | 410                       | 429                             | 461                     |   |
|--------------------------------------|--|-------------------------------------|---------------------------|---------------------------------|-------------------------|---|
| Instructional<br>Continuity<br>Grant | Other<br>Federally<br>Funded<br>Grants | Advanced<br>Placement<br>Incentives | State<br>Textbook<br>Fund | Other State<br>Funded<br>Grants | Campus<br>Activity Fund | Total<br>Nonmajor<br>Funds (See<br>Exhibit C-2) |
| \$ -                                 | \$ -                                   | \$ -                                | \$ -                      | \$ -                            | \$ 746,934              | \$ 1,146,535                                    |
| -                                    | -                                      | 172                                 | 589,945                   | 200,000                         | -                       | 884,703   |
| 42,000                               | 4,007                                  | -                                   | -                         | -                               | -                       | 13,059,030                                      |
| 42,000                               | 4,007                                  | 172                                 | 589,945                   | 200,000                         | 746,934                 | 15,090,268                                      |
| 42,000                               | 4,007                                  | 172                                 | 589,945                   | -                               | 287,809                 | 7,623,716                                       |
| -                                    | -                                      | -                                   | -                         | -                               | 55,600                  | 55,600  |
| -                                    | -                                      | -                                   | -                         | -                               | -                       | 503,727   |
| -                                    | -                                      | -                                   | -                         | -                               | -                       | 851,371   |
| -                                    | -                                      | -                                   | -                         | -                               | 139,109                 | 343,870   |
| -                                    | -                                      | -                                   | -                         | 200,000                         | 7,442                   | 886,343   |
| -                                    | -                                      | -                                   | -                         | -                               | -                       | 107,126   |
| -                                    | -                                      | -                                   | -                         | -                               | 2,098                   | 27,728  |
| -                                    | -                                      | -                                   | -                         | -                               | -                       | 28,617  |
| -                                    | -                                      | -                                   | -                         | -                               | -                       | 4,643,169                                       |
| -                                    | -                                      | -                                   | -                         | -                               | 173,822                 | 173,822   |
| -                                    | -                                      | -                                   | -                         | -                               | 9,062                   | 9,062   |
| -                                    | -                                      | -                                   | -                         | -                               | 9,592                   | 9,592   |
| -                                    | -                                      | -                                   | -                         | -                               | -                       | 32,225  |
| -                                    | -                                      | -                                   | -                         | -                               | 64,225                  | 64,225  |
| -                                    | -                                      | -                                   | -                         | -                               | 7,433                   | 239,931   |
| 42,000                               | 4,007                                  | 172                                 | 589,945                   | 200,000                         | 756,192                 | 15,600,124                                      |
| -                                    | -                                      | -                                   | -                         | -                               | (9,258)                 | (509,856)                                       |
| -                                    | -                                      | -                                   | -                         | -                               | 946,558                 | 1,943,508                                       |
| \$ -                                 | \$ -                                   | \$ -                                | \$ -                      | \$ -                            | \$ 937,300              | \$ 1,433,652                                    |

Texas City Independent School District  
Combining Statement Net Position  
Private Purpose Trust Funds  
August 31, 2020

Exhibit H-3

| <u>Data Control Codes</u> | <u>848</u>                      | <u>849</u>                       | <u>Total Private Purpose Trust Funds (See Exhibit E-1)</u> |
|---------------------------|---------------------------------|----------------------------------|--|
|                           | <u>Student Scholarship Fund</u> | <u>Heatherington Scholarship</u> |  |
| <b>ASSETS</b>             |                                 |                                  |  |
| Current assets:           |                                 |                                  |  |
| 1110                      | \$ 95,568                       | \$ 39,818                        | \$ 135,386   |
|                           | 95,568                          | 39,818                           | 135,386  |
| 1000                      | 95,568                          | 39,818                           | 135,386  |
| <b>LIABILITIES</b>        |                                 |                                  |  |
| Current liabilities:      |                                 |                                  |  |
| 2110                      | -                               | -                                | -  |
|                           | -                               | -                                | -  |
| 2000                      | -                               | -                                | -  |
| <b>NET POSITION</b>       |                                 |                                  |  |
| 3900                      | 95,568                          | 39,818                           | 135,386  |
| 3000                      | \$ 95,568                       | \$ 39,818                        | \$ 135,386   |

**Texas City Independent School District**  
Combining Statement of Changes in Net Position  
Private Purpose Trust Funds  
For the Fiscal Year Ended August 31, 2020

**Exhibit H-4**

| <u>Data Control Codes</u>                 | <b>848</b>                      | <b>849</b>                       | <b>Total Private Purpose Trust Funds (See Exhibit E-2)</b> |
|---|---------------------------------|----------------------------------|--|
|   | <b>Student Scholarship Fund</b> | <b>Heatherington Scholarship</b> |  |
| <b>ADDITIONS</b>                          |                                 |                                  |  |
| 5700 Local and intermediate sources       | \$ 11,161                       | \$ 66                            | \$ 11,227  |
| 5020 Total additions                      | 11,161                          | 66                               | 11,227   |
| <b>DEDUCTIONS</b>                         |                                 |                                  |  |
| 6200 Professional and contracted services | 18,500                          | -                                | 18,500   |
| 6030 Total deductions                     | 18,500                          | -                                | 18,500   |
| 1200 Change in net position               | (7,339)                         | 66                               | (7,273)  |
| 0100 Net position - beginning             | 102,907                         | 39,752                           | 142,659  |
| 3000 <b>NET POSITION - ENDING</b>         | <u>\$ 95,568</u>                | <u>\$ 39,818</u>                 | <u>\$ 135,386</u>  |



**Texas City Independent School District**  
 Schedule of Delinquent Taxes Receivable  
 For The Fiscal Year Ended August 31, 2020

| Year Ended<br>August 31, | 1           |              | 2           |              | 3  |               |
|--------------------------|-------------|--------------|-------------|--------------|--|---------------|
|                          | Tax Rates   |              |             |              | Assessed/Appraised<br>Value For School<br>Tax Purposes |               |
|                          | Maintenance | Debt Service | Maintenance | Debt Service |  |               |
| 2011 and prior years     | \$          | Various      | \$          | Various      | \$   | Various       |
| 2012                     |             | 1.040000     |             | 0.255300     |  | 3,766,001,390 |
| 2013                     |             | 1.040000     |             | 0.229200     |  | 4,036,710,841 |
| 2014                     |             | 1.040000     |             | 0.250900     |  | 3,737,856,457 |
| 2015                     |             | 1.040000     |             | 0.221600     |  | 3,960,387,445 |
| 2016                     |             | 1.040000     |             | 0.259800     |  | 5,032,695,549 |
| 2017                     |             | 1.170000     |             | 0.270500     |  | 4,538,847,275 |
| 2018                     |             | 1.170000     |             | 0.264900     |  | 4,618,250,749 |
| 2019                     |             | 1.170000     |             | 0.344900     |  | 4,847,800,053 |
| 2020                     |             | 1.068350     |             | 0.344900     |  | 5,226,178,595 |

**1000 TOTALS**

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

Exhibit J-1

| 10<br>Beginning<br>Balance<br>9/1/19 | 20<br>Current<br>Year's<br>Total Levy | 31<br>Maintenance<br>Collections | 32<br>Debt Service<br>Collections | 40<br>Entire<br>Year's<br>Adjustments | 50<br>Ending<br>Balance<br>8/31/20 |
|--------------------------------------|---------------------------------------|----------------------------------|-----------------------------------|---------------------------------------|------------------------------------|
| \$ 1,525,790                         | \$ -                                  | \$ 26,715                        | \$ 4,624                          | \$ (28,401)                           | \$ 1,466,050                       |
| 138,264                              | -                                     | 3,476                            | 835                               | (1,478)                               | 132,475                            |
| 145,829                              | -                                     | 5,362                            | 1,341                             | (135)                                 | 138,991                            |
| 166,226                              | -                                     | 12,655                           | 2,799                             | (74)                                  | 150,698                            |
| 217,012                              | -                                     | 22,727                           | 5,463                             | (247)                                 | 188,575                            |
| 285,921                              | -                                     | 46,385                           | 9,812                             | 2,751                                 | 232,475                            |
| 522,685                              | -                                     | 133,960                          | 29,746                            | 4,232                                 | 363,211                            |
| 735,983                              | -                                     | 155,386                          | 35,181                            | (44,289)                              | 501,127                            |
| 1,282,442                            | -                                     | 324,978                          | 95,799                            | (182,230)                             | 679,435                            |
| -                                    | 73,858,969                            | 54,895,218                       | 17,722,058                        | -                                     | 1,241,693                          |
| <u>\$ 5,020,152</u>                  | <u>\$ 73,858,969</u>                  | <u>\$ 55,626,862</u>             | <u>\$ 17,907,658</u>              | <u>\$ (249,871)</u>                   | <u>\$ 5,094,730</u>                |
|                                      |                                       | \$ -                             | \$ -                              |                                       |                                    |

**Texas City Independent School District**  
 Schedule of Revenues, Expenditures and Changes  
 in Fund Balance – Budget and Actual  
 National School Breakfast and Lunch Program  
 For the Fiscal Year Ended August 31, 2020

**Exhibit J-2**

| Data<br>Control<br>Codes |                                | 1                 | 2                 | 3                 | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--------------------------|--------------------------------|-------------------|-------------------|-------------------|---|
|                          |                                | Budgeted Amounts  |                   | Actual            |   |
|                          |                                | Original          | Final             |                   |   |
| <b>REVENUES</b>          |                                |                   |                   |                   |   |
| 5700                     | Local and intermediate sources | \$ 722,912        | \$ 722,912        | \$ 399,601        | \$ (323,311)  |
| 5800                     | State program revenues         | 48,257            | 48,257            | 94,586            | 46,329  |
| 5900                     | Federal program revenues       | 5,246,326         | 5,246,326         | 3,648,384         | (1,597,942)   |
| 5020                     | Total revenues                 | 6,017,495         | 6,017,495         | 4,142,571         | (1,874,924)   |
| <b>EXPENDITURES</b>      |                                |                   |                   |                   |   |
| Current:                 |                                |                   |                   |                   |   |
| 0035                     | Food services                  | 6,238,164         | 6,238,164         | 4,643,169         | 1,594,995   |
| 6030                     | Total expenditures             | 6,238,164         | 6,238,164         | 4,643,169         | 1,594,995   |
| 1200                     | Net change in fund balance     | (220,669)         | (220,669)         | (500,598)         | (279,929)   |
| 0100                     | Fund balance - beginning       | 996,950           | 996,950           | 996,950           | -   |
| 3000                     | <b>FUND BALANCE - ENDING</b>   | <u>\$ 776,281</u> | <u>\$ 776,281</u> | <u>\$ 496,352</u> | <u>\$ (279,929)</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, 2020

**Exhibit J-3**

| Data<br>Control<br>Codes              |  | 1                    | 2                    | 3                    | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---------------------------------------|--|----------------------|----------------------|----------------------|---|
|                                       |  | Budgeted Amounts     |                      | Actual               |   |
|                                       |  | Original             | Final                |                      |   |
| <b>REVENUES</b>                       |  |                      |                      |                      |   |
| 5700                                  | Local and intermediate sources                       | \$ 17,810,865        | \$ 18,202,865        | \$ 18,245,371        | \$ 42,506   |
| 5800                                  | State program revenues                               | 3,800,000            | 3,793,155            | 3,755,979            | (37,176)  |
| 5020                                  | Total revenues                                       | 21,610,865           | 21,996,020           | 22,001,350           | 5,330   |
| <b>EXPENDITURES</b>                   |  |                      |                      |                      |   |
| Debt service:                         |  |                      |                      |                      |   |
| 0071                                  | Principal on long-term debt                          | 11,900,000           | 11,900,000           | 11,085,000           | 815,000   |
| 0072                                  | Interest on long-term debt                           | 9,955,271            | 9,955,271            | 9,527,135            | 428,136   |
| 0073                                  | Issuance costs and fees                              | 15,000               | 654,181              | 654,096              | 85  |
| 6030                                  | Total expenditures                                   | 21,870,271           | 22,509,452           | 21,266,231           | 1,243,221   |
| 1100                                  | Excess (deficiency) of revenues<br>over expenditures | (259,406)            | (513,432)            | 735,119              | 1,248,551   |
| <b>OTHER FINANCING SOURCES (USES)</b> |  |                      |                      |                      |   |
| 7901                                  | Refunding bonds issued                               | -                    | 13,365,000           | 13,365,000           | -   |
| 7915                                  | Transfers in   | 259,406              | -                    | -                    | -   |
| 7916                                  | Premium or discount on issuance of bonds             | -                    | 3,120,000            | 3,119,905            | (95)  |
| 8940                                  | Payment to bond refunding escrow agent               | -                    | (16,273,444)         | (16,273,444)         | -   |
| 7080                                  | Total other financing sources (uses)                 | 259,406              | 211,556              | 211,461              | (95)  |
| 1200                                  | Net change in fund balance                           | -                    | (301,876)            | 946,580              | 1,248,456   |
| 0100                                  | Fund balance - beginning                             | 12,989,994           | 12,989,994           | 12,989,994           | -   |
| 3000                                  | <b>FUND BALANCE - ENDING</b>                         | <u>\$ 12,989,994</u> | <u>\$ 12,688,118</u> | <u>\$ 13,936,574</u> | <u>\$ 1,248,456</u>                                     |

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

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Texas City Independent School District (the District) as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 8, 2020.

***Internal Control over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

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



The Board of Trustees of  
Texas City Independent School District

**Purpose of this Report**

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

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

WEAVER AND TIDWELL, L.L.P.

December 8, 2020

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

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

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

We have audited Texas City Independent School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2020. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2020.

### Report on Internal Control over Compliance

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

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

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

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

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

WEAVER AND TIDWELL, L.L.P.

December 8, 2020

**Texas City Independent School District**  
 Schedule of Findings and Questioned Costs  
 For the Fiscal Year Ended August 31, 2020

**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? None reported
- 5. Type of auditor's report issued on compliance with major programs Unmodified
- 6. Any Audit Findings Disclosed that are required to be reported in accordance with Uniform Guidance? No
- 7. Identification of major programs Special Education Cluster 84.027 and 84.173  
21<sup>st</sup> Century 84.287
- 8. Dollar threshold used to distinguish between Type A and Type B federal programs \$750,000
- 9. Auditee qualified as a low-risk auditee? Yes

**Section 2. Financial Statement Findings**

None reported

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

None reported

## Texas City Independent School District

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended August 31, 2020

### Prior Year Findings

2019-001

#### Significant Deficiency in Internal Control over Financial Reporting: Purchasing

##### Person(s) Responsible

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

Assistant Superintendent of Business and Operations (final approver)

##### Corrective Action Plan

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

##### Current status

The District put additional procedures in place to resolve prior year finding 2019-001 for the fiscal year ending September 30, 2020.

**Texas City Independent School District**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended August 31, 2020**

**Exhibit K-1**

| Federal Grantor/<br>Pass-Through Grantor/<br>Program Title              | Federal<br>CFDA<br>Number | Pass Through<br>Entity Identifying<br>Number | Total<br>Federal<br>Expenditures |
|---|---------------------------|--|----------------------------------|
| <b>U.S. DEPARTMENT OF EDUCATION</b>                                     |                           |  |                                  |
| Passed Through Texas Education Agency:                                  |                           |  |                                  |
| ESEA, Title I, Part A   | 84.010A                   | 20610101084906                               | \$ 3,556,947                     |
| Title I 1003 School Improvement   | 84.010A                   | 20610101084906                               | 67,150                           |
| Total 84.010A   |                           |  | 3,624,097                        |
| Special Education Cluster (IDEA):                                       |                           |  |                                  |
| IDEA-B Formula  | 84.027A                   | 206600010849066600                           | 1,946,482                        |
| IDEA-B Preschool  | 84.173A                   | 206610010849066610                           | 35,103                           |
| Total Special Education Cluster (IDEA)                                  |                           |  | 1,981,585                        |
| Carl D. Perkins Basic Grant   | 84.048A                   | 20420006084906                               | 133,474                          |
| Texas Education for Homeless Children & Youth                           | 84.196A                   | 204600057110070                              | 31,678                           |
| 21st Century Cycle 9 - Year 4   | 84.287C                   | 206950247110028                              | 715,322                          |
| 21st Century Cycle 9 - Year 5   | 84.287C                   | 216950247110028                              | 40,361                           |
| 21st Century Cycle 10 - Year 2  | 84.287C                   | 206950267110047                              | 1,225,805                        |
| Total program 84.287C   |                           |  | 1,981,488                        |
| Title III , Part A, English Language Acquisition & Language Enhancement | 84.365A                   | 20671001084906                               | 77,243                           |
| Title II, Part A, Teacher/Principal Training                            | 84.367A                   | 20694501084906                               | 331,060                          |
| Instructional Continuity Grant  | 84.377A                   | 17610740084906                               | 42,000                           |
| Title IV, Part A, Subpart 1   | 84.424A                   | 20680101084906                               | 136,242                          |
| Summer School LEP   | 84.369A                   | 69551902                                     | 4,007                            |
| <b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>                               |                           |  | <b>8,342,874</b>                 |
| <b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>                     |                           |  |                                  |
| Direct:   |                           |  |                                  |
| Head Start Cluster:   |                           |  |                                  |
| Head Start  | 93.600                    | 06CH7065-06-00                               | 914,294                          |
| Head Start  | 93.600                    | 06CH010751-01                                | 167,541                          |
| Total Head Start Cluster  |                           |  | 1,081,835                        |
| <b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>               |                           |  | <b>1,081,835</b>                 |
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>                                   |                           |  |                                  |
| Child Nutrition Cluster:  |                           |  |                                  |
| Passed Through Texas Department of Agriculture - Non-Cash Assistance:   |                           |  |                                  |
| National School Lunch Program   | 10.555                    | 806780706                                    | 182,792                          |
| Passed Through Texas Education Agency - Cash Assistance:                |                           |  |                                  |
| School Breakfast Program  | 10.553                    | 71401901                                     | 775,689                          |
| COVID-19 School Breakfast Program                                       | 10.553                    | 71401901                                     | 220,393                          |
| National School Lunch Program   | 10.555                    | 71301901                                     | 2,113,845                        |
| COVID-19 National School Lunch Program                                  | 10.555                    | 71301901                                     | 355,665                          |
| Total Child Nutrition Cluster   |                           |  | 3,648,384                        |
| <b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>                             |                           |  | <b>3,648,384</b>                 |
| <b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>                             |                           |  |                                  |
| Passed Through Texas Department of Public Safety                        |                           |  |                                  |
| Division of Emergency Management:                                       |                           |  |                                  |
| Disaster Grants - Public Assistance (FEMA)                              | 97.036                    | PA-4332                                      | 14,182                           |
| <b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>                             |                           |  | <b>\$ 13,087,275</b>             |

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

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

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

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

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

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

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

**Note 2. De Minimis Cost Rate**

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

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

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

|  |                      |
|--|----------------------|
| Total expenditures of federal awards per Exhibit K-1 | \$ 13,087,275        |
| General fund - federal revenue:                      |                      |
| Student Health and Related Services Program (SHARS)  | 1,659,728            |
| E-Rate   | 176,533              |
| ROTC   | 81,420               |
|  | <hr/>                |
| <b>Total federal revenues per Exhibit C-2</b>        | <b>\$ 15,004,956</b> |



**Texas City Independent School District**  
 Schedule of Required Responses to Selected  
 School FIRST Indicators (Unaudited)  
 For the Fiscal Year Ended August 31, 2020

**Exhibit L-1**

| <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 <b>to not have made</b> timely payments.) | Yes              |
|                   | 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.  |                  |
| 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  | \$ -             |