

BAY CITY INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018



Bay City Independent School District
Annual Financial Report
For The Year Ended June 30, 2018

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Introductory Section



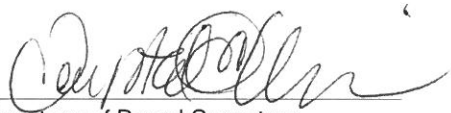
CERTIFICATE OF BOARD

Bay City Independent School District
Name of School District

Matagorda
County

158-901
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) approved disapproved for the year ended June 30, 2018, at a meeting of the board of trustees of such school district on the 13th day of November, 2018.



Signature of Board Secretary



Signature of Board President

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



Financial Section



Harry Afadapa & Associates, PC

Certified Public Accountants
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Stafford, Texas 77477
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Independent Auditor's Report

To the Board of Trustees
Bay City Independent School District
520 7th Street
Bay City, Texas 77414

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 the Bay City Independent School District ("the District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Emphasis of Matter

Change in Accounting Principle

As described in Note A to the financial statements, in 2018, Bay City Independent School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

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 Bay City Independent School District as of June 30, 2018, and the respective changes in financial position, 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, budgetary comparison information, schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions identified as Required Supplementary Information 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bay City Independent School District's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2018 on our consideration of Bay City Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bay City Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

Harry Afadapa & Associates, PC

Stafford, Texas
October 26, 2018



BAY CITY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

This discussion and analysis of the Bay City Independent School District's financial statements provides a narrative overview of the District's financial activities for the fiscal year ended June 30, 2018. The information presented here should be read in conjunction with the basic financial statements and the accompanying notes to those financial statements.

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 financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Bay City Independent School District's finances in a manner similar to private sector business. They present the financial picture of the District from an economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District as well as all liabilities. Additionally, certain eliminations have occurred in regards to interfund activity, payables and receivables.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Increases or decreases in net position over time may serve as a useful indicator of whether the financial position of Bay City Independent School District is improving or deteriorating.

The *statement of activities* presents information showing how the district's net position changed during the most recent fiscal year using full accrual basis of accounting. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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. Bay City Independent School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the district's near-term financing decisions. Both the governmental funds 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*.

Fiduciary funds. *Fiduciary funds* are used to account for resources held for the benefit of parties outside the district. Fiduciary funds are not reflected in the district-wide financial statement because the resources of those funds are not available to support the District's own programs. The accounting used for the fiduciary funds is much like that used for proprietary funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

BAY CITY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements.

District-wide Financial Analysis

The District's net position at June 30, 2018 and 2017 are summarized as follows:

BAY CITY INDEPENDENT SCHOOL DISTRICT'S NET POSITION

	Governmental Activities		Change
	6/30/2018	6/30/2017	
Current and other assets	\$ 82,227,313	\$ 14,042,323	\$ 68,184,990
Capital assets	57,914,715	41,436,130	16,478,585
Deferred outflow of resources	22,319,263	3,542,374	18,776,889
Total assets	<u>162,461,291</u>	<u>59,020,827</u>	<u>103,440,464</u>
Other liabilities	10,834,830	4,004,752	6,830,078
Long-term liabilities outstanding	116,854,026	29,510,763	87,343,263
Deferred inflow of resources	6,620,898	463,187	6,157,711
Total liabilities	<u>134,309,754</u>	<u>33,978,702</u>	<u>100,331,052</u>
Net position:			
Net investment in capital assets	24,599,627	18,284,405	6,315,222
Restricted	2,856,547	1,662,969	1,193,578
Unrestricted	695,363	5,094,751	(4,399,388)
Total net position	<u>\$ 28,151,537</u>	<u>\$ 25,042,125</u>	<u>\$ 3,109,412</u>

As noted earlier, net position may serve over time as a useful indicator of a district's financial position. In the case of Bay City Independent School District, assets exceeded liabilities by \$28,151,537 at the close of the most recent fiscal year, June 30, 2018.

The largest portion of the District's net position (87 percent) reflects its investment in capital assets less any debt used to acquire those assets that is still outstanding. The District uses 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. An additional portion of the District's net position (10 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (3 percent) may be used to meet the District's ongoing obligations to educate the school-age children of Bay City. At the end of the current fiscal year, the District is able to report positive balances in all three categories of net position. The same situation held true for the prior fiscal year. However, a significant portion of the reduction in Unrestricted Net Position when compared to prior year represents the prior period adjustment of \$(3,921,729) that was made as a result of GASB 75 pronouncement.

There was an increase in current and other assets of \$68,184,990. Over \$64 million of this increase represents the proceeds of two issued bonds. There was increase in capital asset of \$16,478,585 which represents mainly

BAY CITY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

Construction In Progress which is being funded by the bond proceeds and it is a continuation of the various massive construction projects within the District.

Due to the implementation of GASB Statement 68 "Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27", and the new implementation of GASB Statement 75 "Accounting and Financial Reporting for Retirement Benefit Plan Other than Pension" "OPEB", the District recognized an increase of \$18,776,889 in deferred outflows - \$19,460,879 relating to OPEB, and a reduction of \$825,574 in pension resources, and an increase of \$6,157,711 in aggregate long term liabilities. This is a result of the District recognizing their proportionate share of the State-wide net pension liability and related deferred inflows and outflows.

Other liabilities increased by over \$6.8 million due to the inclusion of current portion of the bond obligation due within the year in the amount of \$2,453,946, and certain amount due to the Texas Education Agency for over payment. Future payment by the agency will be adjusted accordingly.

Long-term liabilities increased significantly because of the two new issuance of debt obligation totaling over \$79 million. These new bonds issuance are used to fund the construction of a Baseball and Softball Complex, Junior High, and Elementary as approved for the District. Other long term obligation includes the Net OPEB liability relative to GASB 75 discussed above resulted current recognition of certain obligation in the amount of \$13,209,369, and the reduction obligation relative to GASB 68 in the amount of \$871,632 when compared to prior year.

Changes in capital assets and long-term liabilities are discussed further below.

The District's changes in net position for the fiscal years end June 30, 2018 and 2017 are summarized as follows:

BAY CITY INDEPENDENT SCHOOL DISTRICT'S CHANGES IN NET POSITION

	Governmental Activities		Change
	6/30/2018	6/30/2017	
Revenues:			
Program Revenues:			
Charges for services	\$ 1,165,447	\$ 1,358,587	\$ (193,140)
Operating grants & contributions	31,834,754	7,302,985	24,531,769
General Revenues:			
Property taxes	17,657,262	15,231,130	2,426,132
Investment earnings	49,460	43,604	5,856
Grants & contributions not restricted for specific purpose	17,758,124	17,388,181	369,943
Miscellaneous	293,404	399,397	(105,993)
Total revenues	<u>68,758,451</u>	<u>41,723,884</u>	<u>27,034,567</u>
Increase in net position	7,031,141	(3,886,703)	10,917,844
Net position- beginning	25,042,125	28,928,828	(3,886,703)
Prior Period Adjustment	(3,921,729)	-	(3,921,729)
Net position- beginning, as Restated	<u>21,120,396</u>	<u>28,928,828</u>	<u>(7,808,432)</u>
Net position ending	<u>\$ 28,151,537</u>	<u>\$ 25,042,125</u>	<u>\$ 3,109,412</u>

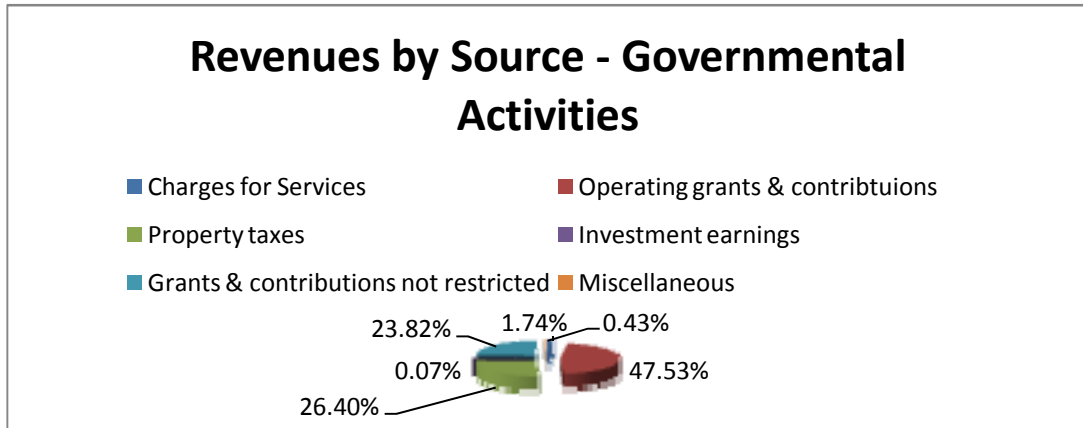
BAY CITY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

	Governmental Activities		
	6/30/2018	6/30/2017	Change
Expenses:			
Instruction	32,760,603	21,601,541	11,159,062
Instructional resources and media	564,229	353,044	211,185
Curriculum and staff development	870,670	612,817	257,853
Instructional leadership	1,028,707	708,525	320,182
School leadership	3,492,838	2,167,406	1,325,432
Guidance and counseling	2,164,961	1,717,129	447,832
Social works services	131,077	73,421	57,656
Health services	706,261	461,623	244,638
Student transportation	1,510,197	823,733	686,464
Food service	2,615,179	2,423,506	191,673
Extracurricular activities	1,471,204	1,138,680	332,524
General administration	1,475,365	1,192,977	282,388
Plant maintenance and operations	7,285,931	9,520,723	(2,234,792)
Security and monitoring services	1,063,338	561,283	502,055
Data processing services	1,046,983	843,483	203,500
Community services	209,944	135,284	74,660
Interest on long-term debt	1,501,664	533,941	967,723
Bond issuance costs and fees	341,847	58,934	282,913
Capital Outlay	76,756	41,225	35,531
Payments related to SSA	1,134,670	392,666	742,004
Payments to CAD	274,886	248,646	26,240
Total expenses	<u>61,727,310</u>	<u>45,610,587</u>	<u>16,116,723</u>

The District's net position from current operations Increased by \$7,031,141 compared to the prior year net decrease of \$3,886,703. Overall revenue increased by \$27,034,567 and expenditures increased by \$16,116,723. Some of the key elements of these net differences between 2018 and 2017 are as follows:

- Except for Plant maintenance and operations cost, all functional codes of the district experienced significant increase in cost due to the effect of GASB 75 cost which were allocated from Instructional (function 11) to Community Services (function 61).
- Increase Interest on Long-term debt and bond issuance costs and Fees are attributed to the costs associated with the issuance of two (2) bond obligations.
- There was a general overall increase of various expenditures stemming from an increase in revenue, and the associated cost that comes with the revenue increase.

The following chart shows the percentage of revenues by major source:



Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund accounting and budget controls has been the framework of the District's strong fiscal management and accountability.

Governmental funds. The general government functions are reported in the General and Special Revenue Funds. The focus of the District's *governmental funds* is to provide information on current sources, uses, and balances of *spendable* resources. Such information is useful in determining the District's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year the District's governmental funds reported combined ending fund balances of \$74,104,223, an increase of \$64,441,295. \$9,990,336 of this total constitutes unassigned fund balance, which is available for spending at the District's discretion. \$63,900,445 is restricted by external parties, constitutional provisions or enabling legislation to pay debt and for state and federal grants. \$126,295 of the fund balance is in non-spendable form as unused inventory and prepaid expenditures. The remaining \$87,147 of fund balance has been committed by the Board of Trustees to be used by individual campuses.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance in the general fund was \$9,990,336. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 29.83% of total general fund expenditures.

The fund balance of the general fund increased by \$2,188,939 for the year ended June 30, 2018 compared to a \$1,653,120 decrease in 2017. Revenue increased by \$1,328,310 mainly in all categories of revenue and expenditures decreased by \$4,360,132. Plant maintenance and operations expenditures decreased by \$3,972,739 as a result of the completion of the High School renovations in the current year as compared to prior year.

General Fund Budgetary Highlights

The Board of Trustees approved a net decrease in the expenditure budget for the year by \$10,181,649 of which \$7,653,580 was in plant maintenance. The remainder of the budget amendment was spread in other areas.

BAY CITY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

Overall, actual revenue exceeded the budget by \$4,231,296. Local revenue was above budget by \$832,127 primarily in estimated tax collections. The actual state revenue was exceeded the budget by \$2,730,779 and federal revenue exceeded budget by \$668,390 and this increase was due to an increase in special programs and other federal programs. Expenditures were exceeded budget by \$781,583 of which there was \$978,568 savings in Instruction & Instructional Related Services.

Debt Administration

Debt administration events during the current fiscal year included:

- The District increased its bond obligation through addition of two construction Bond obligations totaling \$79,745,000
- Addition of Net OPEB Liability of 13,209,369.
- A reduction in net pension obligation liability of \$ 871,632.

	Governmental Activities		Change
	6/30/2018	6/30/2017	
General obligation bonds	\$ 88,873,484	\$ 10,728,484	\$ 78,145,000
Accreted interest	1,333,440	1,264,248	69,192
Capital leases	2,619,764	3,165,976	(546,212)
Notes	1,076,189	1,312,875	(236,686)
Warrants	844,386	915,901	(71,515)
Contractual Obligations	2,768,203	3,002,653	(234,450)
Net pension liability	7,161,754	8,033,386	(871,632)
Net OPEB liability	13,209,369	-	13,209,369
Deferred issuance premiums	1,972,227	1,087,238	884,989
	<u>\$ 119,858,816</u>	<u>\$ 29,510,761</u>	<u>\$ 90,348,055</u>

Capital Assets

	Governmental Activities		Change
	6/30/2018	6/30/2017	
Land	\$ 556,162	\$ 556,162	\$ -
Buildings & Improvements	58,329,708	58,329,708	-
Equipment	5,956,490	5,886,259	70,231
Construction in progress	19,460,879	1,674,349	17,786,530
Vehicles	2,919,775	2,771,038	148,737
Totals	<u>87,223,014</u>	<u>69,217,516</u>	<u>18,005,498</u>
Less accumulated depreciation	<u>(29,308,299)</u>	<u>(27,781,385)</u>	<u>(1,526,914)</u>
	<u>\$ 57,914,715</u>	<u>\$ 41,436,131</u>	<u>\$ 16,478,584</u>

Capital asset events during the year included:

- Construction in progress on the Baseball and Softball Complex, Junior High and Elementary school total year-to-date was \$19,460,879
- Addition of various new buses and other vehicles totaling \$148,737
- Purchases of some equipment totaling \$70,231

BAY CITY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

Economic Factors and Next Year's Budgets and Rates

The annual budget is developed to provide efficient, effective and controlled use of the District's resources. The District adopted a deficit budget for 2018-2019. Factors affecting the 2019 budget were as follows:

- There was a one (1%) percent decrease in 2018-2019 budget revenue primarily due to a projected decrease in average daily attendance (ADA).
- Budget for debt obligations were significantly increased to account for future debt payment.

Request for Information

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Bay City Independent School District, Attention: Chief Financial Officer, P.O. Box 2510, Bay City, Texas 77404-2510 or call (979) 401-1005.



Basic Financial Statements



BAY CITY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

Data Control Codes	1	Governmental Activities
ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 11,576,124
1120	<i>Current Investments</i>	65,460,150
1225	<i>Property Taxes Receivable (Net)</i>	503,752
1240	<i>Due from Other Governments</i>	4,337,025
1290	<i>Other Receivables (Net)</i>	154,006
1300	<i>Inventories</i>	175,228
1410	<i>Unrealized Expenses</i>	21,028
Capital Assets:		
1510	<i>Land</i>	556,162
1520	<i>Buildings and Improvements, Net</i>	34,288,381
1530	<i>Furniture and Equipment, Net</i>	3,609,293
1580	<i>Construction in Progress</i>	19,460,879
1000	Total Assets	<u>140,142,028</u>
DEFERRED OUTFLOWS OF RESOURCES:		
	<i>Deferred Outflow of Resources - Undesignated</i>	181,129
	<i>Deferred Outflow Related to Pensions</i>	2,716,800
	<i>Deferred Outflow Related to OPEB</i>	19,421,334
1700	Total Deferred Outflows of Resources	<u>22,319,263</u>
LIABILITIES:		
2110	<i>Accounts Payable</i>	3,790,108
2120	<i>Short-Term Debt Payable</i>	550,845
2140	<i>Interest Payable</i>	210,702
2165	<i>Accrued Liabilities</i>	3,007,578
2180	<i>Due to Other Governments</i>	752,800
2300	<i>Unearned Revenue</i>	68,851
Noncurrent Liabilities:		
2501	<i>Due Within One Year</i>	2,453,946
2502	<i>Due in More Than One Year</i>	96,482,902
2540	<i>Net Pension Liability</i>	7,161,755
2545	<i>Net OPEB Liability</i>	13,209,369
2000	Total Liabilities	<u>127,688,856</u>
DEFERRED INFLOWS OF RESOURCES:		
	<i>Deferred Inflow Related to Pensions</i>	1,095,394
	<i>Deferred Inflow Related to OPEB</i>	5,525,504
2600	Total Deferred Inflows of Resources	<u>6,620,898</u>
NET POSITION:		
3200	Net Investment in Capital Assets	24,599,627
Restricted For:		
3850	Debt Service	2,769,400
3870	Campus Activities	87,147
3900	Unrestricted	695,363
3000	Total Net Position	<u>\$ 28,151,537</u>

The accompanying notes are an integral part of this statement.

BAY CITY INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues		4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Governmental Activities		
	Governmental Activities:					
11	Instruction	\$ 32,760,603	\$ 76,321	\$ 17,885,954	\$ (14,798,328)	
12	Instructional Resources and Media Services	564,229	--	269,782	(294,447)	
13	Curriculum and Staff Development	870,670	3,075	764,108	(103,487)	
21	Instructional Leadership	1,028,707	--	945,153	(83,554)	
23	School Leadership	3,492,838	56,691	1,755,497	(1,680,650)	
31	Guidance, Counseling, & Evaluation Services	2,164,961	--	1,520,641	(644,320)	
32	Social Work Services	131,077	--	120,263	(10,814)	
33	Health Services	706,261	--	297,697	(408,564)	
34	Student Transportation	1,510,197	--	786,030	(724,167)	
35	Food Service	2,615,179	179,324	2,591,982	156,127	
36	Cocurricular/Extracurricular Activities	1,471,204	122,414	468,268	(880,522)	
41	General Administration	1,475,365	--	653,957	(821,408)	
51	Facilities Maintenance and Operations	7,285,931	5,724	2,216,948	(5,063,259)	
52	Security and Monitoring Services	1,063,338	--	534,805	(528,533)	
53	Data Processing Services	1,046,983	--	407,112	(639,871)	
61	Community Services	209,944	--	94,641	(115,303)	
72	Interest on Long-term Debt	1,501,664	--	57,201	(1,444,463)	
73	Bond Issuance Costs and Fees	341,847	--	--	(341,847)	
81	Capital Outlay	76,756	721,898	--	645,142	
93	Payments Related to Shared Services Arrangements	1,134,670	--	464,715	(669,955)	
99	Other Intergovernmental Charges	274,886	--	--	(274,886)	
TG	Total Governmental Activities	<u>61,727,310</u>	<u>1,165,447</u>	<u>31,834,754</u>	<u>(28,727,109)</u>	
TP	Total Primary Government	<u>\$ 61,727,310</u>	<u>\$ 1,165,447</u>	<u>\$ 31,834,754</u>	<u>(28,727,109)</u>	
	General Revenues:					
MT	Property Taxes, Levied for General Purposes				14,113,217	
DT	Property Taxes, Levied for Debt Service				3,544,045	
IE	Investment Earnings				49,460	
GC	Grants and Contributions Not Restricted to Specific Programs				17,758,124	
MI	Miscellaneous				293,404	
TR	Total General Revenues				<u>35,758,250</u>	
CN	Change in Net Position				<u>7,031,141</u>	
NB	Net Position - Beginning				25,042,125	
PA	Prior Period Adjustment				(3,921,729)	
	Net Position - Beginning, as Restated				<u>21,120,396</u>	
NE	Net Position - Ending				<u>\$ 28,151,537</u>	

The accompanying notes are an integral part of this statement.

BAY CITY INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2018

Data Control Codes	10 General Fund	60 Capital Projects	Other Governmental Funds	98 Total Governmental Funds	
ASSETS:					
1110	Cash and Cash Equivalents	\$ 8,895,631	\$ --	\$ 2,680,493	\$ 11,576,124
1120	Current Investments	--	64,913,526	546,624	65,460,150
1225	Taxes Receivable, Net	419,244	--	84,508	503,752
1240	Due from Other Governments	3,548,835	--	788,190	4,337,025
1290	Other Receivables	140,486	--	13,520	154,006
1300	Inventories	84,377	--	90,851	175,228
1410	Unrealized Expenditures	19,918	--	1,110	21,028
1000	Total Assets	<u>13,108,457</u>	<u>64,913,526</u>	<u>4,205,330</u>	<u>82,227,313</u>
LIABILITIES:					
Current Liabilities:					
2110	Accounts Payable	\$ 4,579	\$ 3,770,488	\$ 15,041	\$ 3,790,108
2150	Payroll Deductions & Withholdings	38,800	--	--	38,800
2160	Accrued Wages Payable	2,502,890	--	398,291	2,901,181
2180	Due to Other Governments	--	--	752,800	752,800
2200	Accrued Expenditures	48,313	--	19,284	67,597
2300	Unearned Revenue	--	--	68,851	68,851
2000	Total Liabilities	<u>2,594,582</u>	<u>3,770,488</u>	<u>1,254,267</u>	<u>7,619,337</u>
DEFERRED INFLOWS OF RESOURCES:					
	Deferred Revenue	419,244	--	84,509	503,753
2600	Total Deferred Inflows of Resources	<u>419,244</u>	<u>--</u>	<u>84,509</u>	<u>503,753</u>
FUND BALANCES:					
Nonspendable Fund Balances:					
3410	Inventories	84,377	--	22,000	106,377
3430	Prepaid Items	19,918	--	--	19,918
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	--	--	30	30
3480	Retirement of Long-Term Debt	--	--	2,755,003	2,755,003
3490	Other Restrictions of Fund Balance	--	61,143,038	2,374	61,145,412
Committed Fund Balances:					
3545	Other Committed Fund Balance	--	--	87,147	87,147
3600	Unassigned	9,990,336	--	--	9,990,336
3000	Total Fund Balances	<u>10,094,631</u>	<u>61,143,038</u>	<u>2,866,554</u>	<u>74,104,223</u>
4000	Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 13,108,457</u>	<u>\$ 64,913,526</u>	<u>\$ 4,205,330</u>	<u>\$ 82,227,313</u>

The accompanying notes are an integral part of this statement.

BAY CITY INDEPENDENT SCHOOL DISTRICT
*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2018*

Total fund balances - governmental funds balance sheet	\$ 74,104,223
Amounts reported for governmental activities in the Statement of Net Position ("SNP") are different because:	
Capital assets used in governmental activities are not reported in the funds.	57,914,716
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	503,753
Payables for bond principal which are not due in the current period are not reported in the funds.	(88,873,484)
Payables for capital leases which are not due in the current period are not reported in the funds.	(2,619,764)
Payables for bond interest which are not due in the current period are not reported in the funds.	(210,702)
Payables for notes which are not due in the current period are not reported in the funds.	(4,688,778)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(20,371,124)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(6,620,898)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	181,129
The accumulated accretion of interest on capital appreciation bonds is not reported in the funds.	(1,333,440)
Bond premiums are amortized in the SNA but not in the funds.	20,165,907
Rounding difference	(1)
Net position of governmental activities - Statement of Net Position	<u>\$ 28,151,537</u>

The accompanying notes are an integral part of this statement.

BAY CITY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes	10 General Fund	60 Capital Projects	Other Governmental Funds	98 Total Governmental Funds
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ 14,608,527	\$ 721,898	\$ 5,253,929	\$ 20,584,354
5800 <i>State Program Revenues</i>	18,206,916	--	631,850	18,838,766
5900 <i>Federal Program Revenues</i>	1,143,390	--	5,400,749	6,544,139
5020 Total Revenues	<u>33,958,833</u>	<u>721,898</u>	<u>11,286,528</u>	<u>45,967,259</u>
EXPENDITURES:				
Current:				
0011 <i>Instruction</i>	17,565,198	--	2,969,433	20,534,631
0012 <i>Instructional Resources and Media Services</i>	324,981	--	--	324,981
0013 <i>Curriculum and Staff Development</i>	219,571	--	662,870	882,441
0021 <i>Instructional Leadership</i>	186,200	--	504,382	690,582
0023 <i>School Leadership</i>	2,020,611	--	61,855	2,082,466
0031 <i>Guidance, Counseling, & Evaluation Services</i>	860,271	--	644,560	1,504,831
0032 <i>Social Work Services</i>	19,489	--	52,242	71,731
0033 <i>Health Services</i>	454,805	--	--	454,805
0034 <i>Student Transportation</i>	906,482	--	--	906,482
0035 <i>Food Service</i>	13,573	--	2,234,304	2,247,877
0036 <i>Cocurricular/Extracurricular Activities</i>	1,057,796	--	19,194	1,076,990
0041 <i>General Administration</i>	1,003,056	--	16,915	1,019,971
0051 <i>Facilities Maintenance and Operations</i>	5,114,273	--	104,236	5,218,509
0052 <i>Security and Monitoring Services</i>	621,240	--	1,028	622,268
0053 <i>Data Processing Services</i>	699,820	--	18,000	717,820
0061 <i>Community Services</i>	127,792	--	7,423	135,215
0071 <i>Principal on Long-term Debt</i>	1,087,964	--	1,600,000	2,687,964
0072 <i>Interest on Long-term Debt</i>	257,509	--	1,374,203	1,631,712
0073 <i>Bond Issuance Costs and Fees</i>	--	340,610	2,135	342,745
0081 <i>Capital Outlay</i>	--	17,863,286	--	17,863,286
0093 <i>Payments to Shared Service Arrangements</i>	669,951	--	464,719	1,134,670
0099 <i>Other Intergovernmental Charges</i>	274,886	--	--	274,886
6030 Total Expenditures	<u>33,485,468</u>	<u>18,203,896</u>	<u>10,737,499</u>	<u>62,426,863</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	<u>473,365</u>	<u>(17,481,998)</u>	<u>549,029</u>	<u>(16,459,604)</u>
Other Financing Sources and (Uses):				
7911 <i>Capital-Related Debt Issued (Regular Bonds)</i>	--	79,745,000	--	79,745,000
7915 <i>Transfers In</i>	1,715,574	--	--	1,715,574
7916 <i>Premium or Discount on Issuance of Bonds</i>	--	595,610	560,289	1,155,899
8911 <i>Transfers Out</i>	--	(1,715,574)	--	(1,715,574)
7080 Total Other Financing Sources and (Uses)	<u>1,715,574</u>	<u>78,625,036</u>	<u>560,289</u>	<u>80,900,899</u>
1200 Net Change in Fund Balances	<u>2,188,939</u>	<u>61,143,038</u>	<u>1,109,318</u>	<u>64,441,295</u>
0100 Fund Balances - Beginning	<u>7,905,692</u>	<u>--</u>	<u>1,757,236</u>	<u>9,662,928</u>
3000 Fund Balances - Ending	<u>\$ 10,094,631</u>	<u>\$ 61,143,038</u>	<u>\$ 2,866,554</u>	<u>\$ 74,104,223</u>

The accompanying notes are an integral part of this statement.

BAY 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 YEAR ENDED JUNE 30, 2018*

Net change in fund balances - total governmental funds	\$ 64,441,295
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	18,005,498
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,526,913)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(37,110)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	1,600,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	358,873
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	729,091
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	270,910
The accretion of interest on capital appreciation bonds is not reported in the funds.	(69,129)
(Increase) decrease in accrued interest from beginning of period to end of period.	(70,835)
Proceeds of long-term debt is recognized as other financial resources in the funds but not revenue in the SOA.	(80,900,899)
The District's share of the unrecognized deferred inflows and outflows for the pension plan was amortized.	27,058,660
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(22,828,301)
Rounding difference	<u>1</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 7,031,141</u>

The accompanying notes are an integral part of this statement.

BAY CITY INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2018

Data Control Codes	Private-purpose Trust Funds	Agency Funds Student Activity
ASSETS:		
1110 <i>Cash and Cash Equivalents</i>	\$ 3,303	\$ 151,057
1120 <i>Current Investments</i>	22,151	--
1000 Total Assets	<u>25,454</u>	<u>151,057</u>
LIABILITIES:		
Current Liabilities:		
2190 <i>Due to Student Groups</i>	\$ --	\$ 151,057
2000 Total Liabilities	<u>--</u>	<u>151,057</u>
NET POSITION:		
3800 <i>Held in Trust</i>	25,454	--
3000 Total Net Position	<u>\$ 25,454</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

BAY CITY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Private- Purpose Trusts
	<u> </u>
Additions:	
Investment Income	\$ 125
Gift & Bequests	2,540
Total Additions	<u>2,665</u>
Deductions:	
Scholarship Awards	4,198
Benefits	--
Total Deductions	<u>4,198</u>
Change in Net Position	(1,533)
Net Position-Beginning of the Year	26,987
Net Position-End of the Year	<u>\$ 25,454</u>

The accompanying notes are an integral part of this statement.

BAY CITY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

A. Summary of Significant Accounting Policies

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 non-fiduciary activities of the government. All fiduciary activities are reported only in the fund financial statements.

Reporting Entity

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board.

The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB in its Statement No. 14, "The Financial Reporting Entity," as revised by GASB Statement No.39, and there are no component units included within the reporting entity.

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. Separate financial statements are provided for governmental 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.

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

The District reports the following major governmental funds

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

Capital Project Fund: A governmental fund that must be used to account, on a project basis, for projects financed by proceeds from bond issues, or for capital projects otherwise mandated to be accounted for in this fund.

Additionally, the District reports the following fund types:

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

Private-Purpose Trust Funds: These funds are used to report trust arrangements for scholarships under which principal and income benefit individuals, private organizations, or other governments not reported in other fiduciary fund types.

BAY CITY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

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 so that only the net amount is included as internal balances in the governmental activities column.

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 are eliminated so that only the net amount is included as transfers in the governmental activities column.

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.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes 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. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the District.

The private-purpose trust fund is 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.

Pensions - the fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS'

BAY CITY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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.

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, food service fund and debt service fund. Other special revenue funds do not have appropriated budgets since other means control the use of these resources (e.g., grant awards and endowment requirements) and sometimes span a period of more than one fiscal year.

The appropriated budget is prepared at the fund and function level. The department heads may make transfers of appropriations within a function; however, transfers of appropriations between functions require the approval of the Board of Trustees. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the functional level.

Appropriations in all budgeted funds lapse at the end of the fiscal year. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments) Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

Assets, Liabilities, Deferred Outflows/inflows of Resources, and Net Position/fund Balance

Cash and cash equivalents:

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

Investments:

Investments for the District are reported at fair value (generally based on quoted market prices) except for the position in Government Investment Pool (Pool). In accordance with state law, the Pool operates in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, the Pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. The Pool is subject to regulatory oversight by the State Treasurer, although it is not registered with the SEC.

Inventories and prepaid items:

Inventories of supplies on the balance sheet are stated at weighted average cost, while inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Inventory items are recorded as expenditures when they are consumed. Supplies are used for almost all functions of activity, while food commodities are used only in the food service program. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount. Inventories also include plant maintenance and operation supplies as well as instructional supplies.

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 or expenses when consumed rather than when purchased.

BAY CITY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

Capital assets:

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used. Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

Estimated <u>Useful Lives</u>
40-60
15-25
5-20

Deferred outflows/inflows of resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. The deferred charge on refunding is reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources calculated in the actuarial pension study required by GASB statements 68 and 75 and the current year pension and OPEB payments are reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. The item "unavailable" revenue is reported in the governmental funds balance sheet. The "unavailable" source represents the uncollected delinquent taxes receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available for governmental funds. The deferred inflows of resources calculated in the actuarial pension study required by GASB 68 are reported in the government-wide statement of net position.

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 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.

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.

BAY CITY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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 is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The Board of Trustees have committed fund balances in other governmental funds for campus activities.

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 of Trustees has not delegated the authority to assign fund balance. When it is appropriate to assign fund balance this is accomplished in the same manner as committed funds that is through the adoption of a resolution. Unlike commitments, assignments generally only 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.

Revenues and Expenditures/expenses

Program revenues:

Amounts reported as program revenues include 1) fees, fines, and charges paid by the recipients of goods or services offered by the programs 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.

Property taxes:

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

Compensated absences:

Vacation days shall be used during the year in which they are earned and shall not accumulate. Unused vacation days shall not be reimbursed upon the employee's resignation, retirement, or any other termination of employment.

An employee who retires from the District shall be eligible for reimbursement for state and local leave under the following conditions: 1) the employee's retirement is voluntary, i.e., the employee is not being discharged or Non-renewed 2) the employee provides advance written notice of intent to retire. Contract employees must provide written notice at least 30 days before the last day of employment. Non-contract employees must provide written notice at least two weeks before the last day of employment and 3) the employee has at least ten years of service with the District. The employee shall be reimbursed for each day of state and local leave, to a maximum of 50 days, at a rate established by the Board. If the employee is reemployed with the District, days for which the employee received payment shall not be available to that employee.

BAY CITY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

Data control codes:

Data Control Codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to insure accuracy in building a statewide database for policy development and funding plans.

B. Deposits and Investments

Cash Deposits

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. The District's funds are required to be deposited and invested under the terms of a depository contract. At June 30, 2018, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$11,241,476 and the bank balance was \$11,700,510. The District's cash deposits at June 30, 2018 and during the year ended June 30, 2018, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

Investments

All investments made by the District shall comply with the Public Funds Investment Act (Texas Government Code Chapter 2256, Subchapter A) and all federal, state, and local statutes, rules or regulations. The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The State Treasurer's Investment Pool (Pool) operates in accordance with state law, which requires it to meet all of the requirements of Rule 2a-7 of the Securities and Exchange Commission. The Pool has a credit rating of AAA from Standard & Poor's Financial Services. Local government investment pools in this rating category meet the highest standards for credit quality, conservative investment policies, and safety of principal. The Pool invests in a high quality portfolio of debt securities investments legally permissible for municipalities and school districts in the state.

The government utilizes a pooled investment concept for all its funds to maximize its investment program. Investment income from this internal pooling is allocated to the respective funds based upon the sources of funds invested.

As of June 30, 2018 the District had the following investments:

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Credit Rating</u>	<u>Fair Value</u>
First Public Lone Star Investment Pool	N/A	Aaa	\$ 65,460,150
Certificates of Deposit (included in cash)	< 1 year	N/A	8,035,675
Total Investments			<u>\$ 73,495,825</u>

C. Disaggregated Receivables

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

	General	Nonmajor Other Funds	Totals
Property Taxes	\$ 950,906	\$ 164,138	\$ 1,115,044
Business Personal Property	--	--	--
Less allowance on taxes	(531,661)	(79,631)	(611,292)
	<u>\$ 419,245</u>	<u>\$ 84,507</u>	<u>\$ 503,752</u>

BAY CITY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

Due from other governments:

Texas Education Agency	\$ 3,548,835	\$ 872,829	\$ 4,421,664
Other Receivable	140,486	13,520	154,006
	<u>\$ 3,689,321</u>	<u>\$ 886,349</u>	<u>\$ 4,575,670</u>

There are no significant receivables that are not scheduled for collection within one year of year end.

D. Capital Assets

Capital asset activity for the year ended June 30, 2018, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Governmental activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 556,162	\$ --	\$ --	\$ 556,162
Construction In Progress	1,674,349	17,786,530		19,460,879
	<u>2,230,511</u>	<u>17,786,530</u>	<u>--</u>	<u>20,017,041</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	58,329,708	--	--	58,329,708
Equipment	5,886,259	70,231	--	5,956,490
Vehicles	2,771,038	148,737	--	2,919,775
Total capital assets being depreciated	<u>66,987,005</u>	<u>218,968</u>	<u>--</u>	<u>67,205,973</u>
Less accumulated depreciation for:				
Buildings and improvements	(22,910,290)	(1,131,036)	--	(24,041,326)
Equipment	(2,872,640)	(225,013)	--	(3,097,653)
Vehicles	(1,998,455)	(170,863)	--	(2,169,318)
Total accumulated depreciation	<u>(27,781,385)</u>	<u>(1,526,912)</u>	<u>--</u>	<u>(29,308,297)</u>
Total capital assets being depreciated, net	<u>39,205,620</u>	<u>(1,307,944)</u>	<u>--</u>	<u>37,897,676</u>
Governmental activities capital assets, net	<u>\$ 41,436,131</u>	<u>\$ 16,478,586</u>	<u>\$ --</u>	<u>\$ 57,914,717</u>

Depreciation was charged to functions as follows:

Instruction	\$ 743,958
Instructional Resources and Media Services	12,159
Curriculum and Staff Development	21,105
Instructional Leadership	24,402
School Leadership	74,646
Guidance, Counseling, & Evaluation Services	59,138
Social Work Services	2,529
Health Services	15,898
Student Transportation	28,369
Food Services	83,466
Extracurricular Activities	39,222
General Administration	41,086
Plant Maintenance and Operations	327,894
Security and Monitoring Services	19,331
Data Processing Services	29,050
Community Services	4,659
	<u>\$ 1,526,912</u>

E. Interfund Balances and Activities

Transfers to and from other funds at June 30, 2018, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General fund	Capital Project Fund	<u>\$ 1,715,574</u>	Capital Outlay

BAY CITY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

F. Lease Obligations

Capital Leases

The District entered into a lease agreement as lessee for financing efficiency upgrades to school facilities and for the replacement of the telephone system. The efficiency upgrades were in two stages, the first stage in 2003 was valued at \$3,037,746 with an estimated life of 30 years and the second stage in 2009 valued at \$3,396,710 with an estimated life of 15 years. Accumulated depreciation at June 30, 2017 on these two assets was \$1,333,233 and \$1,613,871 respectively. The telephone system was upgraded in 2016 valued at \$484,332 with a 15 year life and related accumulated depreciation of \$34,980. These lease agreements qualify as capital leases for accounting purposes and, therefore have been recorded at the present value of future minimum

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018 were as follows:

Year Ending June 30:		
2019	\$	647,618
2020		366,098
2021		269,233
2022		269,233
2023		269,233
2024-2028		1,076,932
2029-2031		134,617
Total Minimum Lease Payments	\$	3,032,964
Less: Amount Representing Interest		(413,200)
Present Value of Minimum Lease Payments	\$	<u>2,619,764</u>

G. Long-Term Obligations

General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. These bonds are direct obligations and pledge the full faith and credit of the District.

Outstanding Obligations

Governmental Activities:

General Obligation Bonds	Sale Date	Original Borrowed	Interest Rate to Maturity	Final Maturity	Outstanding Balance
2005 Refunding Bonds	10/1/2005	20,688,484	3.25%-4.5%	2/15/2020	308,484
2014 Refunding Bonds	12/1/2014	13,520,000	2.00%-5.00%	2/15/2024	8,820,000
Series 2017 U/L Tax Building Bonds	07/01/2017	49,875,000	3.00%-5.00%	07/01/2048	49,875,000
Series 2018 U/L Tax Building Bonds	02/01/2018	29,870,000	3.00%-5.00%	07/01/2049	29,870,000

Notes Payable

The District secured loans from Prosperity bank for \$595,214 to construct the softball field and \$659,295 to roof the Junior High. These loans are direct obligations and pledge the full faith and credit of the District bearing interest at 4.5% and 2.89% and maturing June, 2020 and February, 2019 respectively.

Changes in Long-Term Debt

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2018, are as follows:

BAY CITY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	10,728,484	\$ 79,745,000	\$ 1,600,000	\$ 88,873,484	\$ 1,890,000
Accreted interest	1,261,248	72,192		1,333,440	--
Warrants	915,901	--	71,515	844,386	73,659
Contractual Obligations	3,002,653	--	234,450	2,768,203	241,481
Notes*	1,312,875	--	236,686	1,076,189	235,705
Capital leases*	3,165,976	--	546,212	2,619,764	563,947
Net pension liability*	8,033,386	(137,548)	734,084	7,161,754	--
Net OPEB Liability*	23,320,474	(9,953,180)	157,925	13,209,369	--
Deferred issuance premium	1,087,238	1,155,899	270,910	1,972,227	--
Total governmental activities	52,828,235	\$ 70,876,321	\$ 3,851,782	\$ 119,858,816	\$ 3,004,792

* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Capital leases	Governmental	General
Notes	Governmental	General
Net OPEB Liability	Governmental	General
Net pension liability	Governmental	General

Debt obligations requirements on long-term debt at June 30, 2018, are as follows:

Bonds				Notes			
	Principal	Interest Payment	Total		Principal	Interest Payment	Total
2019	1,890,000	3,158,966	5,048,966	2019	\$ 235,705	\$ 33,494	\$ 269,199
2020	428,484	4,604,092	5,032,576	2020	145,625	25,505	171,130
2021	1,970,000	3,106,576	5,076,576	2021	78,144	20,109	98,253
2022	2,055,000	3,008,076	5,063,076	2022	80,487	17,765	98,252
2023	2,120,000	2,940,926	5,060,926	2023	82,831	15,421	98,252
2024 -beyond	80,410,000	40,286,215	115,756,812	2024-28	453,397	37,865	491,262
Totals	88,873,484	57,104,851	141,038,932		\$ 1,076,189	\$ 150,159	\$ 1,226,348

Contractual Obligations

	Principal	Interest Payment	Total
2019	241,481	80,626	322,107
2020	248,724	73,383	322,107
2021	256,183	65,923	322,106
2022	263,867	58,240	322,107
2023	271,127	50,980	322,107
2024-28	1,171,766	116,660	1,288,426
2029-32	315,055	7,052	322,107
	2,768,203	452,864	3,221,067

Warrants

	Principal	Interest Payment	Total
2019	\$ 73,659	24,594	\$ 98,253
2020	75,868	22,384	98,252
2021	78,144	20,109	98,253
2022	80,487	17,765	98,252
2023	82,763	15,490	98,253
2024-28	357,364	35,645	393,009
2029-32	96,101	2,151	98,252
	\$ 844,386	138,138	\$ 982,524

Accreted Interest

A portion of the Series 2005 refunding bonds are capital appreciation bonds. These obligations have a principal value of \$308,484 and a maturity value of \$1,800,000. The interest on these obligations will be paid upon maturity in the fiscal year ending June 30, 2020. The accreted value of these bonds at June 30, 2018 is \$1,572,732 including accreted interest on these bonds of \$1,327,398, which is reflected in the accompanying general long-term debt accounts.

BAY CITY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

H. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2018, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

Auto, Liability, and/or Property Programs

During the year ended June 30, 2018, the District participated in the following TASB Risk Management Fund (the Fund) programs:

- Auto Liability
- Auto Physical Damage
- Privacy & Information Security
- School Liability

The Fund was created and is operated under the provision of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for most lines of coverage. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. For the year ended June 30, 2018, the Fund anticipates the District has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is approved by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2017, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

During the year ended June 30, 2018, the District purchased property disaster insurance through the Regional Pool Alliance, established under the provisions of the Interlocal Cooperation Act Chapter 791 of the Texas Government Code. The Regional Pool Alliance is a cooperative of entities for the purpose of purchasing insurance as a group. Each participant is limited to the annually determined premium with no additional liability beyond the contractual premium and related deductible.

Worker's Compensation Insurance

During the year ended June 30, 2018, the District met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members and their injured employees.

The District participates in the Fund's reimbursable aggregate deductible program. As such, the member is responsible for a certain amount of claims liability as outlined on the member's contribution and coverage summary document. After the member's deductible has been met, the Fund is responsible for additional claims.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$2 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2017, the Fund carries a discounted reserve of \$51,843,324 for future development on reported claims and claims that have been incurred but not yet reported. For the year-ended June 30, 2018, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions and reimbursable aggregate deductibles.

BAY CITY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

The Fund engages the service of independent auditors to conduct a financial audit after the close of each plan year on August 31. The audit is approved by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2017, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

The District's administrators do not calculate or report discounted amounts for worker's compensation liability. Each claim under workers' compensation is calculated independently using estimated maximum claim liability based on contractual obligations.

The change in the claims liability during the fiscal years ended June 30, 2018 and 2017 is as follows:

	2018	2017
Unpaid claims, beginning of fiscal year	\$ 74,736	\$ 81,813
Prior year re-estimated claims	(74,736)	(81,813)
Incurred claims	208,549	179,984
Claim payments	(122,421)	(105,248)
Unpaid claims, end of fiscal year	<u>\$ 86,128</u>	<u>\$ 74,736</u>

Unemployment Compensation Pool

During the year ended June 30, 2018, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its obligations to the Texas Workforce Commission. Expenses are accrued each month until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for unemployment compensation pool.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is approved by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2017, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

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

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

Pension Plan Fiduciary Net Position

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

BAY CITY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

Benefits Provided

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

Contributions

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2017 and 2018.

	2017	2018
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
2018 Employer Contributions		\$ 736,588
2018 Member Contributions		\$ 1,787,172
2017 NECE On-behalf Contributions		\$ 1,171,966

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

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

BAY CITY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.

When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

Actuarial Assumptions

The total pension liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Market Value
Single Discount Rate	8.00%
Long-term expected Invest Rate of Return	8.00%
Inflation	2.5%
Salary Increases including inflation	3.5% to 9.5%
Payroll Growth Rate	2.50%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

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

Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the nonemployer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2017 are summarized below:

BAY CITY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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

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

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2017 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Current Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of the net pension liability	\$ 12,073,303	\$ 7,161,754	\$ 3,072,093

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

At June 30, 2018, the District reported a liability of \$7,161,754 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 7,161,754
State's proportionate share that is associated with the District	11,457,785
Total	<u>\$ 18,619,539</u>

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

BAY CITY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

At August 31, 2017 the employer's proportion of the collective net pension liability was 0.0223983% which was an increase (decrease) of 0.0011394% from its proportion measured as of August 31, 2016.

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

Economic Assumptions

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

Mortality Assumptions

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

Other Demographic Assumptions

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

Actuarial Methods and Policies

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

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

For the year ended June 30, 2018, the District recognized pension expense of \$1,871,670 and revenue of \$873,954 for support provided by the State.

At June 30, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

BAY CITY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 104,780	\$ 386,224
Changes in actuarial assumptions	326,229	186,759
Difference between projected and actual investment earnings	--	521,933
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,662,906	478
Contributions paid to TRS subsequent to the measurement date	622,885	--
Total	<u>\$ 2,716,800</u>	<u>\$ 1,095,394</u>

The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Pension Exp Amount
2019	\$ 159,977
2020	617,130
2021	124,849
2022	(14,472)
2023	73,794
Thereafter	37,243

J. Defined Other Post-Employment Benefit Plans

1. 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.

2. OPEB Plan Fiduciary Net Position

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

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2017 are as follows:

<u>Net OPEB Liability:</u>	<u>Total</u>
Total OPEB liability	\$ 43,885,784,621
Less: plan fiduciary net position	<u>399,535,986</u>
Net OPEB liability	<u>\$ 43,486,248,635</u>
Net position as a percentage of total OPEB liability	0.91%

3. Benefits Provided

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

BAY CITY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for the average retiree with Medicare Parts A&B coverage, with 20 to 29 years of service for the basic plan and the two optional plans:

Monthly TRS-Care Plan Premium Rates			
Effective September 1, 2016 - December 31, 2017			
	TRS-Care 1 Basic Plan	TRS-Care 2 Optional Plan	TRS-Care 3 Optional Plan
Retiree*	\$ --	\$ 70	\$ 100
Retiree and Spouse	20	175	255
Retiree* and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children Only	28	62	82

* or surviving spouse

4. Contributions

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.0% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates		
	2017	2018
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (NECE) - State	1.00%	1.25%
Employers	0.55%	0.75%
Federal/Private Funding Remitted by Employers	1.00%	1.25%
Current fiscal year District contributions		\$ 23,374,805
Current fiscal year Member contributions		\$ 1,787,172
2017 measurement year NECE contributions		\$ 212,978

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FOR THE YEAR ENDED JUNE 30, 2018

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to, regardless of whether they participate in the TRS-Care OPEB program. When employers hire a TRS retiree, they are required to pay to TRS-Care a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the NECE in the amount of \$15.6 million in fiscal year 2017 and \$182.6 million in fiscal year 2018.

5. Actuarial Assumptions

The total OPEB liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including mortality, and most of the economic assumptions are identical to those adopted by the Board in 2015 and are based on the 2014 actuarial experience study of TRS.

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

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability Incidence	

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Discount Rate *	3.42% *
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll Growth Rate	2.50%
Projected Salary Increases **	3.50% to 9.50% **
Healthcare Trend Rates ***	4.50% to 12.00% ***
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad Hoc Post-Employment Benefit Changes	None

*Source: Fixed income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2017.

**Includes inflation at 2.50%

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

BAY CITY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

6. Discount Rate

A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of 0.44% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, there are no investments and the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected not to be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was fixed-income 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" as of August 31, 2017.

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact on the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used in measuring the net OPEB liability.

	1% Decrease in Discount Rate (2.42%)	Current Single Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
District's proportionate share of net OPEB liability	\$ 15,590,335	\$ 13,209,369	\$ 11,295,610

8. Healthcare Cost Trend Rates Sensitivity Analysis

The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% less than and 1% greater than the assumed healthcare cost trend rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 10,998,120	\$ 13,209,369	\$ 16,110,807

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

At June 30, 2018, the District reported a liability of \$13,209,369 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 13,209,369
State's proportionate share that is associated with the District	\$ 18,575,410
Total	\$ <u>31,784,779</u>

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

At August 31, 2017 the District's proportion of the collective net OPEB liability was 0.0303760.

10. Changes Since the Prior Actuarial Valuation.

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

BAY CITY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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

The Affordable Care Act includes a 40% excise tax on high-cost health plans known as the "Cadillac tax." In this valuation the impact of this tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- a. 2018 thresholds of \$850/\$2,292 were indexed annually by 2.50%.
- b. Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- c. 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.

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provision or applicable law.

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

For the year ended August 31, 2018, the District recognized OPEB expense of \$14,811,077 and revenue of \$0 for support provided by the State.

At June 30, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual economic experience	\$ --	\$ 275,756
Changes in actuarial assumptions	--	5,249,748
Differences between projected and actual investment earnings	2,007	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	60	--
Contributions paid to TRS subsequent to the measurement date	<u>19,419,267</u>	<u>--</u>
	<u>\$ 19,421,334</u>	<u>5,525,504</u>

BAY CITY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

The net amounts of the District's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended August 31,	Amount
2019	\$ (728,824)
2020	\$ (728,824)
2021	\$ (728,824)
2022	\$ (728,824)
2023	\$ (729,326)
Thereafter	\$ (1,878,816)

K. Employee Health Care Coverage

During the year ended June 30, 2018, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of per pay period per employee and dependents to the Plan. All premiums were paid to a self-funded pool. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the District and the licensed insurer is renewable , and terms of coverage and premium costs are included in the contractual provisions.

L. Commitments and Contingencies

Contingencies

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

M. Shared Services Arrangements

Fiscal Agent

The District is the fiscal agent for a Shared Services Arrangement ("SSA") which provides speech therapy, diagnostic and other services for locally funded special education to the member districts listed below. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in a special revenue fund and will be accounted for using Model 3 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

<u>Member Districts</u>	<u>Expenditures</u>
Bay City ISD	707,791
Matagorda ISD	28,311
Palacios ISD	325,584
Tidehaven ISD	141,558
Van Vleck ISD	212,337
Total	<u>1,415,581</u>

The District is the fiscal agent for a Shared Service Arrangement ("SSA") which provides speech therapy, diagnostic and other services using federal funds to the member districts listed below. Most services are provided by the fiscal agent, with the exception of aides hired and paid by three of the Districts separately with funds flowed from the fiscal agent to the participating entities. All funds are passed through the state directly to the fiscal agent. According to guidance provided in the TEA's Resource Guide, the District has accounted for the fiscal agent activities of the SSA in a special revenue fund and is accounted for using Model 2 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

BAY CITY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

<u>Member Districts</u>	<u>Formula Expenditures</u>	<u>Preschool Expenditures</u>
Bay City ISD	560,857	\$ 10,004
Matagorda ISD	22,434	400
Palacios ISD	257,995	4,602
Tidehaven ISD	112,172	2,000
Van Vleck ISD	168,257	3,001
Total	<u>1,121,715</u>	<u>\$ 20,007</u>

N. Disaggregated Revenue

Local and intermediate sources of revenue reported in the fund financial statements for the year ended June 30, 2018 consisted of the following:

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
Property taxes	13,994,009	--	\$ 3,498,382	\$ --	\$ 17,492,391
Penalties & Interest	173,655	--	31,266	--	204,921
Shared service payments	--	--	--	1,381,672	1,381,672
Investment earnings	39,260	721,898	10,200	626	771,984
Food service fees	--	--	--	183,708	183,708
Athletic receipts	66,019	--	--	--	66,019
Enterprising receipts	45,120	--	--	47,273	92,393
E-Rate funds	--	--	--	--	--
Rent	9,872	--	--	--	9,872
Other	280,592	--	--	100,802	381,394
	<u>14,608,527</u>	<u>721,898</u>	<u>\$ 3,539,848</u>	<u>\$ 1,714,081</u>	<u>\$ 20,584,354</u>

O. Prior Period Adjustment

During fiscal year 2018, the District adopted GASB Statement No. 75 for Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions. With GASB 75, the District must assume their proportionate share of the Net OPEB Liability of the Teacher Retirement System of Texas. Adoption of GASB 75 required a prior period adjustment to report the effect of GASB 75 retroactively. The prior period adjustment totaled \$(3,921,729) which resulted in a restated beginning net position balance of \$21,120,396.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.



BAY CITY INDEPENDENT SCHOOL DISTRICT

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2018

EXHIBIT G-1

Page 1 of 2

Data Control Codes	Budgeted Amounts			Variance with Final Budget Positive (Negative)	
	1	2	3		
	Original	Final	Actual		
REVENUES:					
5700	Local and Intermediate Sources	\$ 13,679,700	\$ 13,776,400	\$ 14,608,527	\$ 832,127
5800	State Program Revenues	14,910,650	15,476,137	18,206,916	2,730,779
5900	Federal Program Revenues	475,000	475,000	1,143,390	668,390
5020	Total Revenues	<u>29,065,350</u>	<u>29,727,537</u>	<u>33,958,833</u>	<u>4,231,296</u>
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	16,006,662	16,586,630	17,565,198	(978,568)
0012	Instructional Resources and Media Services	351,965	351,965	324,981	26,984
0013	Curriculum and Staff Development	183,310	242,710	219,571	23,139
	Total Instruction & Instr. Related Services	<u>16,541,937</u>	<u>17,181,305</u>	<u>18,109,750</u>	<u>(928,445)</u>
Instructional and School Leadership:					
0021	Instructional Leadership	145,473	145,473	186,200	(40,727)
0023	School Leadership	2,005,600	2,005,600	2,020,611	(15,011)
	Total Instructional & School Leadership	<u>2,151,073</u>	<u>2,151,073</u>	<u>2,206,811</u>	<u>(55,738)</u>
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	804,092	804,092	860,271	(56,179)
0032	Social Work Services	20,862	20,862	19,489	1,373
0033	Health Services	419,548	419,548	454,805	(35,257)
0034	Student (Pupil) Transportation	921,912	921,912	906,482	15,430
0035	Food Services	21,000	21,000	13,573	7,427
0036	Cocurricular/Extracurricular Activities	361,839	1,062,372	1,057,796	4,576
	Total Support Services - Student (Pupil)	<u>2,549,253</u>	<u>3,249,786</u>	<u>3,312,416</u>	<u>(62,630)</u>
Administrative Support Services:					
0041	General Administration	1,058,648	1,098,648	1,003,056	95,592
	Total Administrative Support Services	<u>1,058,648</u>	<u>1,098,648</u>	<u>1,003,056</u>	<u>95,592</u>
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	5,164,666	5,184,216	5,114,273	69,943
0052	Security and Monitoring Services	623,843	623,843	621,240	2,603
0053	Data Processing Services	699,858	699,858	699,820	38
	Total Support Services - Nonstudent Based	<u>6,488,367</u>	<u>6,507,917</u>	<u>6,435,333</u>	<u>72,584</u>
Ancillary Services:					
0061	Community Services	33,245	132,355	127,792	4,563
	Total Ancillary Services	<u>33,245</u>	<u>132,355</u>	<u>127,792</u>	<u>4,563</u>
Debt Service:					
0071	Principal on Long-Term Debt	1,088,300	1,088,300	1,087,964	336
0072	Interest on Long-Term Debt	258,500	258,500	257,509	991
0073	Bond Issuance Costs and Fees	1,000	1,000	--	1,000
	Total Debt Service	<u>1,347,800</u>	<u>1,347,800</u>	<u>1,345,473</u>	<u>2,327</u>
Intergovernmental Charges:					
0093	Payments to Fiscal Agent/Member Dist.-SSA	760,000	760,000	669,951	90,049
0099	Other Intergovernmental Charges	275,000	275,000	274,886	114
	Total Intergovernmental Charges	<u>1,035,000</u>	<u>1,035,000</u>	<u>944,837</u>	<u>90,163</u>

BAY CITY INDEPENDENT SCHOOL DISTRICT

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2018

EXHIBIT G-1
 Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts			
		Original	Final	Actual	
6030	Total Expenditures	<u>31,205,324</u>	<u>32,703,885</u>	<u>33,485,468</u>	<u>(781,583)</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	<u>(2,139,974)</u>	<u>(2,976,348)</u>	<u>473,365</u>	<u>3,449,713</u>
	Other Financing Sources (Uses):				
7915	Transfers In	<u>--</u>	<u>--</u>	<u>1,715,574</u>	<u>1,715,574</u>
7080	Total Other Financing Sources and (Uses)	<u>--</u>	<u>--</u>	<u>1,715,574</u>	<u>1,715,574</u>
1200	Net Change in Fund Balance	<u>(2,139,974)</u>	<u>(2,976,348)</u>	<u>2,188,939</u>	<u>5,165,287</u>
0100	Fund Balance - Beginning	<u>7,802,015</u>	<u>7,802,015</u>	<u>7,905,692</u>	<u>103,677</u>
3000	Fund Balance - Ending	<u>\$ 5,662,041</u>	<u>\$ 4,825,667</u>	<u>\$ 10,094,631</u>	<u>\$ 5,268,964</u>

BAY CITY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 TEACHER RETIREMENT SYSTEM OF TEXAS PENSION PLAN
 LAST TEN FISCAL YEARS *

	Fiscal Year									
Measurement period ending August 31,	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the net pension liability (asset)	0.0223983%	0.0212588%	0.0219508%	0.0137647%	--	--	--	--	--	--
District's proportionate share of the net pension liability (asset)	\$ 7,161,754	\$ 8,033,386	\$ 7,759,316	\$ 3,676,742	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
State's proportionate share of the net pension liability (asset) associated with the District	11,457,785	13,724,584	13,166,936	11,284,967	--	--	--	--	--	--
Total	\$ 18,619,539	\$ 21,757,970	\$ 20,926,252	\$ 14,961,709	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 23,210,391	\$ 22,275,103	\$ 21,426,360	\$ 20,376,004	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	30.86%	36.06%	36.21%	18.04%	--	--	--	--	--	--
Plan fiduciary net position as a percentage of the total pension liability	82.17%	78.00%	78.43%	83.25%	--	--	--	--	--	--

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

BAY CITY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 TEACHER RETIREMENT SYSTEM OF TEXAS PENSION PLAN
 LAST TEN FISCAL YEARS *

Fiscal year ending June 30,	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 736,588	\$ 725,723	\$ 675,704	\$ 603,199	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions in relation to the contractually required contribution	(736,588)	(725,723)	(675,704)	(603,199)	--	--	--	--	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 23,210,031	\$ 23,066,799	\$ 22,162,913	\$ 21,303,331	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered-employee payroll	3.17%	3.15%	3.05%	2.83%	--	--	--	--	--	--

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

BAY CITY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS *

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the collective net OPEB liability	0.0303760%	--	--	--	--	--	--	--	--	--
District's proportionate share of the collective net OPEB liability	\$ 13,209,369	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
State proportionate share of the collective net OPEB liability associated with the District	\$ 17,814,149	1 \$	--	--	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Total	\$ 31,023,518	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 23,210,391	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	56.91%	--	--	--	--	--	--	--	--	--
Plan fiduciary net position as a percentage of the total OPEB liability	0.91%	--	--	--	--	--	--	--	--	--

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

BAY CITY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS *

	Fiscal Year Ended									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Statorily or contractually required District contribution	\$ 23,374,805	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions recognized by OPEB in relation to statorily or contractually required contribution	(23,374,805)	--	--	--	--	--	--	--	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 2,973,545	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered-employee payroll	786.09%	--	--	--	--	--	--	--	--	--

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

BAY CITY INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

Budget

Under GASBS No. 34, budgetary comparison information is required to be presented for the general fund and each major special revenue fund with a legally adopted budget. In accordance with State law the budgets must be prepared in accordance with GAAP; and in accordance with the Texas Education Agency the District is required to adopt a budget for the general fund, food service fund and debt service fund.

In General Fund, the District had budget overrun in Instruction (\$978,568); Instructional & School Leadership (\$55,738); and Support Services (\$62,630).

Defined Benefit Pension Plan

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

Economic Assumptions

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

Mortality Assumptions

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

Other Demographic Assumptions

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

Actuarial Methods and Policies

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

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



*Combining Statements and Budget Comparisons
as Supplementary Information*

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

BAY CITY INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2018

Data Control Codes	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit C-1)	
ASSETS:				
1110	Cash and Cash Equivalents	\$ 426,866	\$ 2,253,627	\$ 2,680,493
1120	Current Investments	870	545,754	546,624
1225	Taxes Receivable, Net	--	84,508	84,508
1240	Due from Other Governments	777,656	10,534	788,190
1260	Due from Other Funds	34	--	34
1290	Other Receivables	13,520	--	13,520
1300	Inventories	90,851	--	90,851
1410	Unrealized Expenditures	1,110	--	1,110
1000	Total Assets	<u>1,310,907</u>	<u>2,894,423</u>	<u>4,205,330</u>
LIABILITIES:				
Current Liabilities:				
2110	Accounts Payable	\$ 15,041	\$ --	\$ 15,041
2160	Accrued Wages Payable	398,291	--	398,291
2180	Due to Other Governments	697,889	54,911	752,800
2200	Accrued Expenditures	19,284	--	19,284
2300	Unearned Revenue	68,851	--	68,851
2000	Total Liabilities	<u>1,199,356</u>	<u>54,911</u>	<u>1,254,267</u>
DEFERRED INFLOWS OF RESOURCES:				
	Deferred Revenue	--	84,509	84,509
2600	Total Deferred Inflows of Resources	<u>--</u>	<u>84,509</u>	<u>84,509</u>
FUND BALANCES:				
Nonspendable Fund Balances:				
3410	Inventories	22,000	--	22,000
Restricted Fund Balances:				
3450	Federal/State Funds Grant Restrictions	30	--	30
3480	Retirement of Long-Term Debt	--	2,755,003	2,755,003
3490	Other Restrictions of Fund Balance	2,374	--	2,374
Committed Fund Balances:				
3545	Other Committed Fund Balance	87,147	--	87,147
3000	Total Fund Balances	<u>111,551</u>	<u>2,755,003</u>	<u>2,866,554</u>
4000	Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 1,310,907</u>	<u>\$ 2,894,423</u>	<u>\$ 4,205,330</u>

BAY CITY INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit C-2)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 1,714,081	\$ 3,539,848	\$ 5,253,929
5800 <i>State Program Revenues</i>	574,649	57,201	631,850
5900 <i>Federal Program Revenues</i>	5,400,749	--	5,400,749
5020 Total Revenues	<u>7,689,479</u>	<u>3,597,049</u>	<u>11,286,528</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	2,969,433	--	2,969,433
0013 <i>Curriculum and Staff Development</i>	662,870	--	662,870
0021 <i>Instructional Leadership</i>	504,382	--	504,382
0023 <i>School Leadership</i>	61,855	--	61,855
0031 <i>Guidance, Counseling, & Evaluation Services</i>	644,560	--	644,560
0032 <i>Social Work Services</i>	52,242	--	52,242
0035 <i>Food Service</i>	2,234,304	--	2,234,304
0036 <i>Cocurricular/Extracurricular Activities</i>	19,194	--	19,194
0041 <i>General Administration</i>	16,915	--	16,915
0051 <i>Facilities Maintenance and Operations</i>	104,236	--	104,236
0052 <i>Security and Monitoring Services</i>	1,028	--	1,028
0053 <i>Data Processing Services</i>	18,000	--	18,000
0061 <i>Community Services</i>	7,423	--	7,423
0071 <i>Principal on Long-term Debt</i>	--	1,600,000	1,600,000
0072 <i>Interest on Long-term Debt</i>	--	1,374,203	1,374,203
0073 <i>Bond Issuance Costs and Fees</i>	--	2,135	2,135
0093 <i>Payments to Shared Service Arrangements</i>	464,719	--	464,719
6030 Total Expenditures	<u>7,761,161</u>	<u>2,976,338</u>	<u>10,737,499</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>(71,682)</u>	<u>620,711</u>	<u>549,029</u>
Other Financing Sources and (Uses):			
7916 <i>Premium or Discount on Issuance of Bonds</i>	--	560,289	560,289
7080 Total Other Financing Sources and (Uses)	<u>--</u>	<u>560,289</u>	<u>560,289</u>
1200 Net Change in Fund Balances	<u>(71,682)</u>	<u>1,181,000</u>	<u>1,109,318</u>
0100 Fund Balances - Beginning	<u>183,233</u>	<u>1,574,003</u>	<u>1,757,236</u>
3000 Fund Balances - Ending	<u>\$ 111,551</u>	<u>\$ 2,755,003</u>	<u>\$ 2,866,554</u>

BAY CITY INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2018

Data Control Codes	211 ESEA Title I Improving Basic Programs	216 ESEA Title I School Improvement Progr	224 IDEA-B Formula	240 National School Breakfast/Lunch Program	
ASSETS:					
1110	Cash and Cash Equivalents	\$ --	\$ --	\$ 23,404	\$ 93,119
1120	Current Investments	--	--	--	870
1240	Due from Other Governments	128,211	5,741	--	--
1260	Due from Other Funds	34	--	--	--
1290	Other Receivables	--	--	--	--
1300	Inventories	--	--	--	90,851
1410	Unrealized Expenditures	--	--	--	--
1000	Total Assets	<u>128,245</u>	<u>5,741</u>	<u>23,404</u>	<u>184,840</u>
LIABILITIES:					
Current Liabilities:					
2110	Accounts Payable	\$ 1,188	\$ --	\$ 272	\$ 1,201
2160	Accrued Wages Payable	52,112	--	20,991	90,862
2180	Due to Other Governments	70,274	5,741	--	--
2200	Accrued Expenditures	4,671	--	2,141	1,926
2300	Unearned Revenue	--	--	--	68,851
2000	Total Liabilities	<u>128,245</u>	<u>5,741</u>	<u>23,404</u>	<u>162,840</u>
FUND BALANCES:					
Nonspendable Fund Balances:					
3410	Inventories	--	--	--	22,000
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	--	--	--	--
3490	Other Restrictions of Fund Balance	--	--	--	--
Committed Fund Balances:					
3545	Other Committed Fund Balance	--	--	--	--
3000	Total Fund Balances	<u>--</u>	<u>--</u>	<u>--</u>	<u>22,000</u>
4000	Total Liabilities and Fund Balances	<u>\$ 128,245</u>	<u>\$ 5,741</u>	<u>\$ 23,404</u>	<u>\$ 184,840</u>

242 Summer Feeding Program	244 Career and Tech Basic Grant	255 ESEA Title II Training & Recruiting	263 English Language Acquisition and Enhancement	270 ESEA, Title VI Part B, Subpart 2 Rural School
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
16,675	10,347	50,609	5,935	24,013
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>16,675</u>	<u>10,347</u>	<u>50,609</u>	<u>5,935</u>	<u>24,013</u>
\$ --	\$ --	\$ 108	\$ 14	\$ --
11,985	--	7,939	--	--
4,690	10,347	41,850	5,921	24,013
--	--	712	--	--
--	--	--	--	--
<u>16,675</u>	<u>10,347</u>	<u>50,609</u>	<u>5,935</u>	<u>24,013</u>
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>16,675</u>	<u>10,347</u>	<u>50,609</u>	<u>5,935</u>	<u>24,013</u>

BAY CITY INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2018

Data Control Codes	288 Title IV, Part A Subpart 1	289 Emergency Impact Aid Program	313 IDEA-B Formula	314 IDEA-B Preschool
ASSETS:				
1110	Cash and Cash Equivalents	\$ --	\$ --	\$ --
1120	Current Investments	--	--	--
1240	Due from Other Governments	4,763	132,296	390,883
1260	Due from Other Funds	--	--	--
1290	Other Receivables	--	--	--
1300	Inventories	--	--	--
1410	Unrealized Expenditures	--	--	--
1000	Total Assets	<u>4,763</u>	<u>132,296</u>	<u>390,883</u>
LIABILITIES:				
Current Liabilities:				
2110	Accounts Payable	\$ 40	\$ 8,856	\$ 1,497
2160	Accrued Wages Payable	1,985	--	80,677
2180	Due to Other Governments	2,537	121,066	302,030
2200	Accrued Expenditures	201	--	6,679
2300	Unearned Revenue	--	--	--
2000	Total Liabilities	<u>4,763</u>	<u>129,922</u>	<u>390,883</u>
FUND BALANCES:				
Nonspendable Fund Balances:				
3410	Inventories	--	--	--
Restricted Fund Balances:				
3450	Federal/State Funds Grant Restrictions	--	--	--
3490	Other Restrictions of Fund Balance	--	2,374	--
Committed Fund Balances:				
3545	Other Committed Fund Balance	--	--	--
3000	Total Fund Balances	<u>--</u>	<u>2,374</u>	<u>--</u>
4000	Total Liabilities and Fund Balances	<u>\$ 4,763</u>	<u>\$ 132,296</u>	<u>\$ 390,883</u>

385 Supplemental Visually Impaired	392 Non-Educational Community-Based Support	397 Advanced Placement Incentives	410 State Textbook Fund	423 LEP Student Success Initiative
\$ --	\$ --	\$ --	\$ 30	\$ --
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
13,520	--	--	--	--
--	--	--	--	--
--	--	1,110	--	--
<u>13,520</u>	<u>--</u>	<u>1,110</u>	<u>30</u>	<u>--</u>
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
13,520	--	1,110	--	--
--	--	--	--	--
--	--	--	--	--
<u>13,520</u>	<u>--</u>	<u>1,110</u>	<u>--</u>	<u>--</u>
--	--	--	--	--
--	--	--	30	--
--	--	--	--	--
--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>30</u>	<u>--</u>
<u>\$ 13,520</u>	<u>\$ --</u>	<u>\$ 1,110</u>	<u>\$ 30</u>	<u>\$ --</u>

BAY CITY INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2018

Data Control Codes	427 State Funded Special Revenue Fund	428 High School Allotment
ASSETS:		
1110 <i>Cash and Cash Equivalents</i>	\$ --	\$ --
1120 <i>Current Investments</i>	--	--
1240 <i>Due from Other Governments</i>	--	--
1260 <i>Due from Other Funds</i>	--	--
1290 <i>Other Receivables</i>	--	--
1300 <i>Inventories</i>	--	--
1410 <i>Unrealized Expenditures</i>	--	--
1000 Total Assets	<u> </u> <u> </u>	<u> </u> <u> </u>
LIABILITIES:		
Current Liabilities:		
2110 <i>Accounts Payable</i>	\$ --	\$ --
2160 <i>Accrued Wages Payable</i>	--	--
2180 <i>Due to Other Governments</i>	--	--
2200 <i>Accrued Expenditures</i>	--	--
2300 <i>Unearned Revenue</i>	--	--
2000 Total Liabilities	<u> </u> <u> </u>	<u> </u> <u> </u>
FUND BALANCES:		
Nonspendable Fund Balances:		
3410 <i>Inventories</i>	--	--
Restricted Fund Balances:		
3450 <i>Federal/State Funds Grant Restrictions</i>	--	--
3490 <i>Other Restrictions of Fund Balance</i>	--	--
Committed Fund Balances:		
3545 <i>Other Committed Fund Balance</i>	--	--
3000 Total Fund Balances	<u> </u> <u> </u>	<u> </u> <u> </u>
4000 Total Liabilities and Fund Balances	<u> </u> <u> </u>	<u> </u> <u> </u>

429 State Funded Special Revenue Fund	437 Special Education	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds (See Exhibit H-1)
\$ --	\$ 223,166	\$ 87,147	\$ 426,866
--	--	--	870
--	--	--	777,656
--	--	--	34
--	--	--	13,520
--	--	--	90,851
--	--	--	1,110
<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u>223,166</u>	<u>87,147</u>	<u>1,310,907</u>
\$ --	\$ 1,832	\$ --	\$ 15,041
--	128,648	--	398,291
--	90,049	--	697,889
--	2,637	--	19,284
--	--	--	68,851
<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u>223,166</u>	<u> </u>	<u>1,199,356</u>
--	--	--	22,000
--	--	--	30
--	--	--	2,374
<u> </u>	<u> </u>	<u>87,147</u>	<u>87,147</u>
<u> </u>	<u> </u>	<u>87,147</u>	<u>111,551</u>
<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u>223,166</u>	<u>87,147</u>	<u>1,310,907</u>

BAY CITY INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes	211 ESEA Title I Improving Basic Programs	216 ESEA Title I School Improvement Programs	224 IDEA-B Formula	240 National School Breakfast/Lunch Program
REVENUES:				
5700 Local and Intermediate Sources	\$ --	\$ --	\$ --	\$ 183,809
5800 State Program Revenues	--	--	--	37,492
5900 Federal Program Revenues	1,264,336	42,325	75,669	1,988,427
5020 Total Revenues	<u>1,264,336</u>	<u>42,325</u>	<u>75,669</u>	<u>2,209,728</u>
EXPENDITURES:				
Current:				
0011 Instruction	702,269	--	75,669	--
0013 Curriculum and Staff Development	440,112	42,325	--	--
0021 Instructional Leadership	106,661	--	--	--
0023 School Leadership	--	--	--	--
0031 Guidance, Counseling, & Evaluation Services	--	--	--	--
0032 Social Work Services	--	--	--	--
0035 Food Service	--	--	--	2,212,038
0036 Cocurricular/Extracurricular Activities	--	--	--	--
0041 General Administration	--	--	--	--
0051 Facilities Maintenance and Operations	8,206	--	--	55,402
0052 Security and Monitoring Services	--	--	--	--
0053 Data Processing Services	--	--	--	--
0061 Community Services	7,088	--	--	--
0093 Payments to Shared Service Arrangements	--	--	--	--
6030 Total Expenditures	<u>1,264,336</u>	<u>42,325</u>	<u>75,669</u>	<u>2,267,440</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	--	--	--	(57,712)
1200 Net Change in Fund Balances	--	--	--	(57,712)
0100 Fund Balances - Beginning	--	--	--	79,712
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 22,000</u>

242 Summer Feeding Program	244 Career and Tech Basic Grant	255 ESEA Title II Training & Recruiting	263 English Language Acquisition and Enhancement	270 ESEA, Title VI Part B, Subpart 2 Rural School
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
<u>22,266</u>	<u>52,441</u>	<u>167,875</u>	<u>48,780</u>	<u>54,373</u>
<u>22,266</u>	<u>52,441</u>	<u>167,875</u>	<u>48,780</u>	<u>54,373</u>
--	44,690	60,997	41,148	32,000
--	5,562	106,878	7,297	22,373
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
22,266	--	--	--	--
--	2,189	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	335	--
--	--	--	--	--
<u>22,266</u>	<u>52,441</u>	<u>167,875</u>	<u>48,780</u>	<u>54,373</u>
--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
\$ <u>--</u>	\$ <u>--</u>	\$ <u>--</u>	\$ <u>--</u>	\$ <u>--</u>

BAY CITY INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,

AND CHANGES IN FUND BALANCES

NONMAJOR SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes	288 Title IV, Part A Subpart 1	289 Emergency Impact Aid Program	313 IDEA-B Formula	314 IDEA-B Preschool
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ --	\$ --
5800 <i>State Program Revenues</i>	--	--	--	--
5900 <i>Federal Program Revenues</i>	25,820	134,670	1,490,175	33,592
5020 Total Revenues	<u>25,820</u>	<u>134,670</u>	<u>1,490,175</u>	<u>33,592</u>
EXPENDITURES:				
Current:				
0011 <i>Instruction</i>	--	132,296	564,927	19,207
0013 <i>Curriculum and Staff Development</i>	25,820	--	1,702	--
0021 <i>Instructional Leadership</i>	--	--	--	--
0023 <i>School Leadership</i>	--	--	--	--
0031 <i>Guidance, Counseling, & Evaluation Services</i>	--	--	455,212	--
0032 <i>Social Work Services</i>	--	--	--	--
0035 <i>Food Service</i>	--	--	--	--
0036 <i>Cocurricular/Extracurricular Activities</i>	--	--	--	--
0041 <i>General Administration</i>	--	--	--	--
0051 <i>Facilities Maintenance and Operations</i>	--	--	--	--
0052 <i>Security and Monitoring Services</i>	--	--	--	--
0053 <i>Data Processing Services</i>	--	--	18,000	--
0061 <i>Community Services</i>	--	--	--	--
0093 <i>Payments to Shared Service Arrangements</i>	--	--	450,334	14,385
6030 Total Expenditures	<u>25,820</u>	<u>132,296</u>	<u>1,490,175</u>	<u>33,592</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	--	2,374	--	--
1200 Net Change in Fund Balances	--	2,374	--	--
0100 Fund Balances - Beginning	--	--	--	--
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ 2,374</u>	<u>\$ --</u>	<u>\$ --</u>

385 Supplemental Visually Impaired	392 Non-Educational Community-Based Support	397 Advanced Placement Incentives	410 State Textbook Fund	423 LEP Student Success Initiative
\$ --	\$ --	\$ --	\$ --	\$ --
13,520	400	1,425	418,645	57,030
--	--	--	--	--
<u>13,520</u>	<u>400</u>	<u>1,425</u>	<u>418,645</u>	<u>57,030</u>
13,520	400	--	421,444	57,030
--	--	1,425	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>13,520</u>	<u>400</u>	<u>1,425</u>	<u>421,444</u>	<u>57,030</u>
--	--	--	(2,799)	--
--	--	--	(2,799)	--
--	--	--	2,829	--
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 30</u>	<u>\$ --</u>

BAY CITY INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes	427 State Funded Special Revenue Fund	428 High School Allotment
REVENUES:		
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --
5800 <i>State Program Revenues</i>	6,300	1,028
5900 <i>Federal Program Revenues</i>	--	--
5020 Total Revenues	<u>6,300</u>	<u>1,028</u>
EXPENDITURES:		
Current:		
0011 <i>Instruction</i>	6,300	--
0013 <i>Curriculum and Staff Development</i>	--	--
0021 <i>Instructional Leadership</i>	--	--
0023 <i>School Leadership</i>	--	--
0031 <i>Guidance, Counseling, & Evaluation Services</i>	--	--
0032 <i>Social Work Services</i>	--	--
0035 <i>Food Service</i>	--	--
0036 <i>Cocurricular/Extracurricular Activities</i>	--	--
0041 <i>General Administration</i>	--	--
0051 <i>Facilities Maintenance and Operations</i>	--	--
0052 <i>Security and Monitoring Services</i>	--	1,028
0053 <i>Data Processing Services</i>	--	--
0061 <i>Community Services</i>	--	--
0093 <i>Payments to Shared Service Arrangements</i>	--	--
6030 Total Expenditures	<u>6,300</u>	<u>1,028</u>
1100 Excess (Deficiency) of Revenues Over (Under)		
1100 Expenditures	<u>--</u>	<u>--</u>
1200 Net Change in Fund Balances	--	--
0100 Fund Balances - Beginning	--	--
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>

429 State Funded Special Revenue Fund	437 Special Education	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds (See Exhibit H-2)
\$ --	\$ 1,381,672	\$ 148,600	\$ 1,714,081
4,900	33,909	--	574,649
--	--	--	5,400,749
<u>4,900</u>	<u>1,415,581</u>	<u>148,600</u>	<u>7,689,479</u>
4,900	709,351	83,285	2,969,433
--	9,376	--	662,870
--	397,721	--	504,382
--	--	61,855	61,855
--	189,348	--	644,560
--	52,242	--	52,242
--	--	--	2,234,304
--	--	17,005	19,194
--	16,915	--	16,915
--	40,628	--	104,236
--	--	--	1,028
--	--	--	18,000
--	--	--	7,423
--	--	--	464,719
<u>4,900</u>	<u>1,415,581</u>	<u>162,145</u>	<u>7,761,161</u>
--	--	(13,545)	(71,682)
--	--	(13,545)	(71,682)
--	--	100,692	183,233
<u>\$ --</u>	<u>\$ --</u>	<u>\$ 87,147</u>	<u>\$ 111,551</u>

BAY CITY INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF FIDUCIARY NET POSITION

PRIVATE-PURPOSE TRUST FUNDS

JUNE 30, 2018

Data Control Codes	817	818	Total Private- Purpose Trust Funds (See Exhibit E-1)
	Various Scholarships	Prep Bowl Scholarship	
ASSETS:			
1110 <i>Cash and Cash Equivalents</i>	\$ 1,919	\$ 1,384	\$ 3,303
1120 <i>Current Investments</i>	--	22,151	22,151
1000 Total Assets	<u>1,919</u>	<u>23,535</u>	<u>25,454</u>
LIABILITIES:			
2000 Total Liabilities	<u>--</u>	<u>--</u>	<u>--</u>
NET POSITION:			
3800 <i>Held in Trust</i>	\$ 1,919	\$ 23,535	\$ 25,454
3000 Total Net Position	<u>\$ 1,919</u>	<u>\$ 23,535</u>	<u>\$ 25,454</u>

BAY CITY INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

ALL PRIVATE-PURPOSE TRUST FUNDS

FOR THE YEAR ENDED JUNE 30, 2018

	817	818	Total Private-Purpose Trust Funds (See Exhibit E-2)
	Various Scholarships	Prep Bowl Scholarship	
Additions:			
Investment Income	\$ --	\$ 125	\$ 125
Gifts & Bequests	2,300	240	2,540
Total Additions	<u>2,300</u>	<u>365</u>	<u>2,665</u>
Deductions:			
Scholarship Awards	3,198	1,000	4,198
Benefits	--	--	--
Total Deductions	<u>3,198</u>	<u>1,000</u>	<u>4,198</u>
Change in Net Position	(898)	(635)	(1,533)
Net Position-Beginning of the Year	2,817	24,170	26,987
Net Position-End of the Year	<u>\$ 1,919</u>	<u>\$ 23,535</u>	<u>\$ 25,454</u>



Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

BAY CITY INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FOR THE YEAR ENDED JUNE 30, 2018

Year Ended June 30	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2009 and Prior Years	\$	Various	\$	Various	\$	Various
2010		1.17		.15		1,071,925,900
2011		1.17		.15		1,004,958,712
2012		1.17		.15		1,007,480,833
2013		1.17		.15		1,040,664,621
2014		1.1473		.1766		1,065,673,369
2015		1.1473		.1933		1,110,570,447
2016		1.1473		.1933		1,130,218,434
2017		1.1473		.1839		1,129,095,703
2018 (School Year Under Audit)"		1.1473		.2897		1,265,409,971

1000 Totals

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

10 Beginning Balance 7/1/17	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 6/30/18
\$ 345,613	\$ --	\$ 7,901	\$ 948	\$ (47,055)	\$ 289,709
31,842	--	1,885	242	(819)	28,896
34,611	--	3,054	392	(941)	30,224
39,071	--	4,226	542	(1,079)	33,224
60,159	--	7,013	899	(1,125)	51,122
64,556	--	10,979	1,690	(6)	51,881
93,592	--	24,616	4,148	(26)	64,802
138,409	--	49,739	8,382	(1,677)	78,611
374,805	--	261,815	41,966	51,620	122,644
--	17,467,694	13,616,040	3,439,173	(48,550)	363,931
<u>\$ 1,182,658</u>	<u>\$ 17,467,694</u>	<u>\$ 13,987,268</u>	<u>\$ 3,498,382</u>	<u>\$ (49,658)</u>	<u>\$ 1,115,044</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

BAY CITY INDEPENDENT SCHOOL DISTRICT

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2018

EXHIBIT J-3

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 436,500	\$ 183,809	\$ (252,691)
5800 <i>State Program Revenues</i>	10,000	37,492	27,492
5900 <i>Federal Program Revenues</i>	2,156,000	1,988,427	(167,573)
5020 Total Revenues	<u>2,602,500</u>	<u>2,209,728</u>	<u>(392,772)</u>
EXPENDITURES:			
Current:			
Support Services - Student (Pupil):			
0035 <i>Food Services</i>	2,498,848	2,212,038	286,810
Total Support Services - Student (Pupil)	<u>2,498,848</u>	<u>2,212,038</u>	<u>286,810</u>
Support Services - Nonstudent Based:			
0051 <i>Plant Maintenance and Operations</i>	80,000	55,402	24,598
Total Support Services - Nonstudent Based	<u>80,000</u>	<u>55,402</u>	<u>24,598</u>
6030 Total Expenditures	<u>2,578,848</u>	<u>2,267,440</u>	<u>311,408</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	23,652	(57,712)	(81,364)
1200 Net Change in Fund Balance	<u>23,652</u>	<u>(57,712)</u>	<u>(81,364)</u>
0100 Fund Balance - Beginning	164,351	79,712	(84,639)
3000 Fund Balance - Ending	<u>\$ 188,003</u>	<u>\$ 22,000</u>	<u>\$ (166,003)</u>

BAY CITY INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-4

DEBT SERVICE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 1,910,600	\$ 3,539,848	\$ 1,629,248
5800 <i>State Program Revenues</i>	97,775	57,201	(40,574)
5020 <i>Total Revenues</i>	<u>2,008,375</u>	<u>3,597,049</u>	<u>1,588,674</u>
EXPENDITURES:			
Debt Service:			
0071 <i>Principal on Long-Term Debt</i>	1,600,000	1,600,000	--
0072 <i>Interest on Long-Term Debt</i>	2,251,600	1,374,203	877,397
0073 <i>Bond Issuance Costs and Fees</i>	13,400	2,135	11,265
<i>Total Debt Service</i>	<u>3,865,000</u>	<u>2,976,338</u>	<u>888,662</u>
6030 <i>Total Expenditures</i>	<u>3,865,000</u>	<u>2,976,338</u>	<u>888,662</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>			
1100 <i>Expenditures</i>	<u>(1,856,625)</u>	<u>620,711</u>	<u>2,477,336</u>
Other Financing Sources (Uses):			
7916 <i>Premium or Discount on Issuance of Bonds</i>	--	560,289	560,289
7080 <i>Total Other Financing Sources and (Uses)</i>	--	560,289	560,289
1200 <i>Net Change in Fund Balance</i>	<u>(1,856,625)</u>	<u>1,181,000</u>	<u>3,037,625</u>
0100 <i>Fund Balance - Beginning</i>	1,574,003	1,574,003	--
3000 <i>Fund Balance - Ending</i>	<u>\$ (282,622)</u>	<u>\$ 2,755,003</u>	<u>\$ 3,037,625</u>



Harry Afadapa & Associates, PC

Certified Public Accountants
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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

Board of Trustees
Bay City Independent School District
520 7th Street
Bay City, Texas 77414

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bay City Independent School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Bay City Independent School District's basic financial statements, and have issued our report thereon dated October 26, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Bay City Independent School 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 Bay City Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bay City Independent School 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 Bay City Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Respectfully submitted,

Harry Afadapa & Associates, PC

Stafford, Texas
October 26, 2018

Harry Afadapa & Associates, PC

Certified Public Accountants
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Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Trustees
Bay City Independent School District
520 7th Street
Bay City, Texas 77414

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the Bay City Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Bay City Independent School District's major federal programs for the year ended June 30, 2018. Bay City Independent School 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 Bay City Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Bay City Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Bay City Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

Respectfully submitted,

Harry Afadapa & Associates, PC

Stafford, Texas
October 26, 2018

BAY CITY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027/84.173	Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

BAY CITY INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
None		

BAY CITY INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2018

N/A

BAY CITY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

EXHIBIT K-1

(1)	(2)	(2A)	(3)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
SPECIAL EDUCATION (IDEA) CLUSTER:				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
<i>IDEA-B Formula</i>	84.027	18660001158901	\$ --	\$ 75,669
<i>SSA IDEA-B Formula</i>	84.027	18660001158901	450,334	1,490,175
Total CFDA Number 84.027			<u> --</u>	<u>1,565,844</u>
<i>SSA IDEA-B Preschool</i>	84.173	18661001158901	14,385	33,592
Total Passed Through State Department of Education			<u>464,719</u>	<u>1,599,436</u>
Total U. S. Department of Education			<u>464,719</u>	<u>1,599,436</u>
Total Special Education (IDEA) Cluster			<u>464,719</u>	<u>1,599,436</u>
OTHER PROGRAMS:				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
<i>ESEA Title I Part A - Improving Basic Programs</i>	84.010A	18610101158901	--	1,264,336
<i>Career and Technical - Basic Grant</i>	84.048	18420006158901	--	52,441
<i>ESEA Title I School Improvement Program</i>	84.348	18610123158901	--	42,325
<i>ESEA, Title VI, Part B, Subpart 2 - Rural and Low Income School</i>	84.358	18696001158901	--	54,373
<i>Title III Part A English Language Acquisition and Language Enhanc</i>	84.365	18671001158901	--	48,780
<i>ESEA Title II Part A - Teacher & Principal Training & Recruiting</i>	84.367A	18694501158901	--	167,875
<i>Title IV, Part A Subpart 1 - Fund 288</i>	84.424A	18690101158901	--	25,820
<i>LEP Summer School</i>	84.369A	69551702	--	2,374
<i>Emergency Impact Aid Program</i>	84.938C		8,856	132,296
Total Passed Through State Department of Education			<u>8,856</u>	<u>1,790,620</u>
Total U. S. Department of Education			<u>8,856</u>	<u>1,790,620</u>
<u>U. S. Department of Agriculture</u>				
Passed Through Texas Department of Agriculture:				
Summer Food Service Program*	10.559	TX1581003	--	27,670
Commodity Supplement Food Program (Non-cash)*	10.565	158001A	--	121,623
Total Passed Through Texas Department of Agriculture			<u> --</u>	<u>149,293</u>
Passed Through State Department of Education-Texas Education				
Agency: School Breakfast Program*	10.553	71401701	--	82,367
School Breakfast Program*	10.553	71401801	--	522,658
Total CFDA # 10.553			<u> --</u>	<u>605,025</u>
National School Lunch Program*	10.555	71301701	--	166,596
National School Lunch Program*	10.555	71301801	--	1,089,779
Total CFDA # 10.555			<u> --</u>	<u>1,256,375</u>
Total U.S. Department of Agriculture			<u> --</u>	<u>2,010,693</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 473,575</u>	<u>\$ 5,400,749</u>

* Indicates clustered programs under OMB Uniform Guidance (2.CFR.200)
The accompanying notes are an integral part of this schedule.

BAY CITY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of Bay City Independent School District. The information in the Schedule is presented in accordance with the 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"). Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Bay City Independent School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

BAY CITY INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF JUNE 30, 2018

Data Control Codes		Responses
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other governmental agencies?	Yes
SF8	Did the school district <u>not</u> receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	What was the total accumulated accretion on capital appreciation bonds (CABs) included in government-wide financial statements at fiscal year-end?	\$ 1,333,440
SF11	Net Pension Assets (object 1920) at fiscal year-end.	\$ --
SF12	Net Pension Liabilities (object 2540) at fiscal year-end.	\$ 7,161,755
SF13	Net OPEB Liabilities (object 2545) at fiscal year-end.	\$ 13,209,369

In correspondence to all school administrators dated November 1, 2017, the TEA's Director of Financial Compliance stated "For 2017, and until further notice, no data should be entered in the field for data feed Schedule L-1 question SF13. If the AFR and data feed has been submitted no additional steps need to be taken."