

New Caney Independent School District

Annual Financial Report

For the Fiscal Year Ended August 31, 2018

New Caney Independent School District
 Annual Financial Report
 For the Fiscal Year Ended August 31, 2018
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Certificate of the Board

New Caney Independent School District
Name of School District

Montgomery
County

170-908
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and 7 approved 0 disapproved for the fiscal year ended August 31, 2018 at a meeting of the Board of Trustees of such school district on the 21 day of January, 2019.

Elizabeth R Harell
Signature of Board Secretary

Chris Juma
Signature of Board President

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

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Financial Section

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Independent Auditor's Report

To the Board of Trustees of
New Caney Independent School District
New Caney, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of New Caney Independent School District (the District), as of and for the fiscal year ended August 31, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District, as of August 31, 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.

Emphasis of Matter

As discussed in Note 1.E. to the basic financial statements, during the year ended August 31, 2018, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Beginning net position has been restated as a result of the implementation of this statement. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Supplementary Information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information and 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 Board of Trustees of
New Caney Independent School District

The Schedule of Required Responses to Selected School FIRST Indicators 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 January 14, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas
January 14, 2019

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Management's Discussion and Analysis

As management of the New Caney Independent School District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended August 31, 2018.

Financial Highlights

- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$(70,103,616) (*net position*).
- The District's total net position increased by \$16,204,715 from current operations.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$117,802,416, an increase of \$6,440,791 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$28,408,141, or 21 percent of total general fund expenditures.
- The District's total bonded debt increased by \$52,659,761 (12 percent) during the current fiscal year. The key factor in this increase was the issuance of capital and refunding bonds.

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 required supplementary information and supplementary and other 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 the District's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the District's assets, liabilities and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the 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. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

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

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

In fiscal year 2018, the District implemented the Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* – which superseded GASB Statement No. 45.

Statement No. 75 establishes financial reporting standards and/or accounting standards for state and local government defined benefit other postemployment benefit (OPEB) plans and defined contribution OPEB plans. Statement No. 75 requires that, at transition, a government recognizes a beginning OPEB liability and beginning deferred outflow of resources for its OPEB contributions, if any, made subsequent to the measurement date of the beginning net OPEB liability. The implementation of this statement has no impact on the District's governmental fund financial statements. However, implementation has resulted in certain changes to the presentation of the District's government-wide financial statements. More information on the implementation of this statement and the District's OPEB plan is available in **Note 1. E. and Note 4.D.**, respectively.

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

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

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

The District maintains 42 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, debt service fund and the capital projects fund, all of which are considered to be major funds. Data from the other 34 governmental funds are combined into a single, aggregated presentation.

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

The basic governmental fund financial statements can be found as noted in the table of contents of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of students. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the District's own programs. The funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The basic fiduciary fund financial statements can be found as noted in the table of contents of this report.

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$(70,103,616) at the close of the most recent fiscal year.

New Caney Independent School District's Net Position

	Governmental Activities					
	2018		2017		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Current and other assets	\$ 142,226,792	27	\$ 128,806,017	27	\$ 13,420,775	10
Capital assets	389,871,706	73	345,129,124	73	44,742,582	13
Total assets	532,098,498	100	473,935,141	100	58,163,357	
Total deferred outflows of resources	20,406,410	100	19,722,295	100	684,115	3
Other liabilities	22,636,323	4	15,526,299	3	7,110,024	46
Long-term liabilities outstanding	574,623,287	96	475,305,372	97	99,317,915	21
Total liabilities	597,259,610	100	490,831,671	100	106,427,939	
Total deferred inflows of resources	25,348,914	100	1,888,616	100	23,460,298	1,242
Net position:						
Net investment in capital assets	(13,527,341)	20	(8,079,032)	(862)	(5,448,309)	67
Restricted	4,047,377	(6)	3,685,946	393	361,431	10
Unrestricted	(60,623,652)	86	5,330,235	569	(65,953,887)	(1,237)
Total net position	\$ (70,103,616)	100	\$ 937,149	100	\$ (71,040,765)	

Net investment in capital assets includes land and improvements, buildings and improvements, furniture and equipment and construction in progress, less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. At the end of the current fiscal year, the District reports a negative balance in Net Investment in Capital Assets which is attributed to expenditure of bond proceeds not meeting the criteria for capitalization.

Net position that is restricted for debt service and grants total \$4,047,377, or (6) percent of total net position.

Governmental Activities. Governmental activities increased the District's net position by \$16,204,715 from current operations. The elements giving rise to this change may be determined from the table below.

New Caney Independent School District's Changes in Net Position

	Governmental Activities					
	2018		2017		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Revenue:						
Program revenues:						
Charges for services	\$ 4,027,444	3	\$ 4,009,811	2	\$ 17,633	-
Operating grants and contributions	211,669	-	26,732,661	16	(26,520,992)	(99)
General revenues:						
Property taxes, levied for general purpose	45,063,546	28	41,507,554	24	3,555,992	9
Property taxes, levied for debt service	19,253,710	12	17,796,195	10	1,457,515	8
Grants and contributions not restricted to specific programs	88,959,633	56	78,232,506	47	10,727,127	14
Investment earnings	1,640,140	1	920,017	1	720,123	78
Miscellaneous	166,543	-	338,504	-	(171,961)	(51)
Total revenues	159,322,685	100	169,537,248	100	(10,214,563)	
Expenses:						
Instruction	64,335,886	45	86,466,944	50	(22,131,058)	(26)
Instructional resources and media services	1,331,328	1	1,308,095	1	23,233	2
Curriculum and instructional staff development	2,587,103	2	4,767,661	3	(2,180,558)	(46)
Instructional leadership	900,859	1	1,374,059	1	(473,200)	(34)
School leadership	6,096,219	4	8,783,603	5	(2,687,384)	(31)
Guidance, counseling, and evaluation services	3,505,476	2	4,943,520	3	(1,438,044)	(29)
Social work services	1,572	-	16,562	-	(14,990)	(91)
Health services	937,139	1	1,252,532	1	(315,393)	(25)
Student transportation	6,123,511	4	6,818,771	4	(695,260)	(10)
Food services	6,821,256	5	8,419,371	5	(1,598,115)	(19)
Extracurricular activities	6,152,850	4	6,861,543	4	(708,693)	(10)
General administration	4,151,447	3	5,380,347	3	(1,228,900)	(23)
Plant maintenance and operations	12,683,183	9	13,101,947	8	(418,764)	(3)
Security and monitoring services	1,200,658	1	1,382,334	1	(181,676)	(13)
Data processing services	3,712,150	3	3,467,260	2	244,890	7
Community services	132,588	-	128,597	-	3,991	3
Interest on long-term debt	16,815,647	12	16,020,751	9	794,896	5
Issuance costs and fees	805,895	1	738,379	-	67,516	9
Facilities repair and maintenance	4,069,353	3	833,671	-	3,235,682	388
Payments related to shared services arrangements	154,000	-	154,000	-	-	-
Other intergovernmental charges	599,850	-	525,225	-	74,625	14
Total expenses	143,117,970	101	172,745,172	100	(29,627,202)	
Change in net position	16,204,715		(3,207,924)		19,412,639	
Net position - beginning	937,149		4,145,073		(3,207,924)	
Prior period adjustment - implement GASB 75 for OPEB (a)	(87,245,480)		-		(87,245,480)	
Net position - beginning, as restated	(86,308,331)		4,145,073		(90,453,404)	
Net position - ending	\$ (70,103,616)		\$ 937,149		\$ (71,040,765)	

(a) The restatement of the beginning net position is the result of the District implementing GASB Statement No. 75 in fiscal year 2018. The implementation is discussed previously in MD&A.

The increase in net position from current operations was primarily due to the decrease in expenditures across most functions, most notably Instruction, which results from recognizing negative OPEB expense of \$41,969,890.

Revenues are generated primarily from two sources. Grants and contributions (program and general revenues totaling \$89,171,302) represent 56 percent of total revenues and property taxes (\$64,317,256) represent 40 percent of total revenues. The remaining 4 percent is generated from investment earnings, charges for services and miscellaneous revenues.

The primary functional expenses of the District is instruction (\$64,335,886) which represents 45 percent of total expenses and interest on long-term debt (\$16,815,647) which represents 12 percent of total expenses. The remaining functional categories of expenses are individually 4 percent or less of total expenses.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$117,802,416, an increase of \$6,440,791 in comparison with the prior year.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$28,408,101 and total fund balance was \$28,464,319. As a measure of the general fund's liquidity, it may be useful to compare unassigned and total fund balance to total fund expenditures. Unassigned and total fund balance represents 21 percent of total general fund expenditures. The fund balance of the District's general fund increased by \$5,007,807 during the current fiscal year. The fund balance of the general fund increased primarily due to an increase in state funding and property tax collections.

The debt service fund has a total fund balance of \$4,136,994, all of which is restricted for retirement of long-term debt. The net decrease in fund balance during the current year in the debt service fund was \$898,298. The decrease in fund balance was due primarily to an increase in current debt service requirements.

The capital projects fund has a total fund balance of \$83,035,617, all of which is restricted for capital acquisition programs and contractual obligations. The net increase in fund balance during the current year in the capital projects fund was \$1,878,891. The increase was due to proceeds from the issuance of capital and refunding bonds offset by capital expenditures.

General Fund Budgetary Highlights

The District amended the budget several times throughout the year. There were no significant variations between the original and final budget.

There were no significant variations between the final budget and actual results.

Capital Assets and Long-term Liabilities

Capital Assets. The District's investment in capital assets for its governmental-type activities as of August 31, 2018, amounts to \$389,871,706 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and improvements, furniture and equipment and construction in progress.

New Caney Independent School District's Capital Assets (net of depreciation)

	Governmental Activities					
	2018		2017		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Land and improvements	\$ 33,587,552	9	\$ 28,232,772	8	\$ 5,354,780	19
Buildings and improvements	318,049,199	82	277,203,767	80	40,845,432	15
Furniture and equipment	6,680,719	2	6,073,239	2	607,480	10
Construction in progress	31,554,236	8	33,619,346	10	(2,065,110)	(6)
Totals	\$ 389,871,706	101	\$ 345,129,124	100	\$ 44,742,582	

Major capital asset purchases during the current fiscal year included the following:

- \$49,101,369 construction and renovations for various campuses and facilities.
- \$5,354,780 land for facilities.
- \$1,238,054 vehicles and buses.

Additional information on the District's capital assets can be found in Note 3.D. in the notes to the financial statements as noted in the table of contents of this report.

Construction Commitments. At the end of the current fiscal year, the Districts commitments with construction contractors totaled \$4,716,283.

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

New Caney Independent School District's Long-term Liabilities Outstanding

	Governmental Activities					
	2018		2017		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
General obligation bonds (net)	\$ 495,209,932	86	\$ 442,550,171	93	\$ 52,659,761	12
Net pension liability	29,658,134	5	32,755,201	7	(3,097,067)	(9)
Net OPEB liability	49,755,221	9	87,840,330	-	(38,085,109)	(43)
Totals	\$ 574,623,287	100	\$ 563,145,702	100	\$ 11,477,585	

The District's bonded debt increased by \$52,659,761 (12 percent) during the current fiscal year. The key factor in this increase was the issuance of capital and refunding bonds.

The District's general obligation debt is backed by the full faith and credit of the District and is further guaranteed by the Texas Permanent School Fund Guarantee Program.

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

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

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

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

Economic Factors and Next Year's Budgets and Rates

- Current enrollment totals 15,386 students, which is an increase from the prior year.
- District staff totals 2,508 employees, which includes of 1,036 teachers and 270 teachers' aides and secretaries and 247 substitute employees.
- The District maintains 18 campuses for instruction and The Learning Center.
- The unemployment rate for the County is currently 3.8 percent, which is a decrease from a rate of 4.5 percent a year ago. This compares to the state's average unemployment rate of 3.9 percent, which is a decrease from a rate of 4.5 percent a year ago.
- Property values of the District are projected to increase for the 2018-2019 fiscal year.
- A maintenance and operations tax rate of \$1.17 and a debt service tax rate of \$.50, a total rate of \$1.67, were adopted for 2018-2019, which was the same as the previous year.

All of these factors were considered in preparing the District's budget for the 2018 fiscal year.

During the current fiscal year, fund balance in the general fund increased to \$28,464,319, which still exceed two months of annual operating expenditures.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director of Finance, New Caney Independent School District, 21580 Loop 494, New Caney, Texas, 77357.

Basic Financial Statements

New Caney Independent School District

Statement of Net Position

August 31, 2018

Exhibit A-1

<u>Data Control Codes</u>		<u>Primary Governmental Activities</u>
ASSETS		
1110	Cash and cash equivalents	\$ 8,012,808
1120	Current investments	123,955,991
1220	Property taxes receivables	2,707,183
1230	Allowance for uncollectible taxes	(54,000)
1240	Due from other governments	7,479,685
1290	Other receivables	6,867
1300	Inventories	118,258
	Capital assets:	
1510	Land and improvements	33,587,552
1520	Buildings and improvements (net)	318,049,199
1530	Furniture and equipment (net)	6,680,719
1580	Construction in progress	31,554,236
1000	Total assets	<u>532,098,498</u>
DEFERRED OUTFLOWS OF RESOURCES		
1705	Deferred outflows - pension	12,553,151
1706	Deferred outflows - OPEB	775,794
1710	Deferred charge of refunding	7,077,465
1700	Total deferred outflows of resources	<u>20,406,410</u>
LIABILITIES		
2110	Accounts payable	12,764,081
2140	Interest payable	865,130
2150	Payroll deductions and withholdings	51,700
2160	Accrued wages payable	7,877,328
2180	Due to other governments	945,786
2190	Due to student groups	13,577
2300	Unearned revenue	118,721
	Noncurrent liabilities:	
2501	Due within one year	7,384,994
2502	Due in more than one year	487,824,938
2540	Net pension liabilities	29,658,134
2545	Net OPEB liabilities	49,755,221
2000	Total liabilities	<u>597,259,610</u>
DEFERRED INFLOWS OF RESOURCES		
2605	Deferred inflows - pension	4,536,211
2606	Deferred inflows - OPEB	20,812,703
2600	Total deferred inflows of resources	<u>25,348,914</u>
NET POSITION		
3200	Net investment in capital assets	(13,527,341)
3820	Restricted for grants	1,678,856
3850	Restricted for debt service	2,368,521
3900	Unrestricted	(60,623,652)
3000	TOTAL NET POSITION (DEFICIT)	<u><u>\$ (70,103,616)</u></u>

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

New Caney Independent School District
Statements of Activities
For the Fiscal Year Ended August 31, 2018

Exhibit B-1

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Position
		Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
PRIMARY GOVERNMENT:					
Governmental activities:					
0011	Instruction	\$ 64,335,886	\$ 235,790	\$ (7,493,909)	\$ (71,594,005)
0012	Instructional resources and media services	1,331,328	131,901	(109,678)	(1,309,105)
0013	Curriculum and instructional staff development	2,587,103	9,436	818,137	(1,759,530)
0021	Instructional leadership	900,859	-	(233,194)	(1,134,053)
0023	School leadership	6,096,219	238,486	(1,356,189)	(7,213,922)
0031	Guidance, counseling, and evaluation services	3,505,476	1,577	(329,346)	(3,833,245)
0032	Social work services	1,572	-	2,586	1,014
0033	Health services	937,139	46	(206,789)	(1,143,882)
0034	Student transportation	6,123,511	45,491	(549,313)	(6,627,333)
0035	Food services	6,821,256	2,229,060	5,750,238	1,158,042
0036	Extracurricular activities	6,152,850	1,128,209	(596,221)	(5,620,862)
0041	General administration	4,151,447	-	(547,554)	(4,699,001)
0051	Plant maintenance and operations	12,683,183	-	(758,405)	(13,441,588)
0052	Security and monitoring services	1,200,658	7,448	(120,654)	(1,313,864)
0053	Data processing services	3,712,150	-	(252,179)	(3,964,329)
0061	Community services	132,588	-	132,972	384
0072	Interest on long-term debt	16,815,647	-	5,987,382	(10,828,265)
0073	Issuance costs and fees	805,895	-	-	(805,895)
0081	Facilities repair and maintenance	4,069,353	-	(80,215)	(4,149,568)
0093	Payments related to shared services arrangements	154,000	-	154,000	-
0099	Other intergovernmental charges	599,850	-	-	(599,850)
TG	Total governmental activities	<u>143,117,970</u>	<u>4,027,444</u>	<u>211,669</u>	<u>(138,878,857)</u>
TP	TOTAL PRIMARY GOVERNMENT	<u>\$ 143,117,970</u>	<u>\$ 4,027,444</u>	<u>\$ 211,669</u>	<u>(138,878,857)</u>
General revenues:					
MT	Property taxes, levied for general purposes				45,063,546
DT	Property taxes, levied for debt services				19,253,710
GC	Grants and contributions not restricted to specific programs				88,959,633
IE	Investment earnings				1,640,140
MI	Miscellaneous				166,543
TR	Total general revenues				<u>155,083,572</u>
CN	Change in net position				16,204,715
NB	Net position - beginning				937,149
PA	Prior period adjustment - implement GASB 75 for OPEB				<u>(87,245,480)</u>
	Net position (deficit) - beginning, as restated				<u>(86,308,331)</u>
NE	NET POSITION (DEFICIT) - ENDING				<u>\$ (70,103,616)</u>

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

New Caney Independent School District

Balance Sheet – Governmental Funds

August 31, 2018

Data Control Codes		199	599
		General Fund	Debt Service Fund
ASSETS			
1110	Cash and cash equivalents	\$ 5,636,763	\$ 1,046,261
1120	Current investments	27,189,506	3,980,137
1220	Property taxes receivable	1,896,723	810,460
1230	Allowance for uncollectible taxes	(38,000)	(16,000)
1240	Due from other governments	5,062,795	-
1260	Due from other funds	1,829,313	56,382
1290	Other receivables	6,867	-
1300	Inventories	19,338	-
1000	Total assets	41,603,305	5,877,240
1000a	TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 41,603,305</u>	<u>\$ 5,877,240</u>
LIABILITIES			
2110	Accounts payable	\$ 3,740,866	\$ -
2150	Payroll deductions and withholdings	51,700	-
2160	Accrued wages payable	7,417,738	-
2170	Due to other funds	56,382	-
2180	Due to other governments	-	945,786
2190	Due to student groups	13,577	-
2300	Unearned revenue	-	-
2000	Total liabilities	11,280,263	945,786
DEFERRED INFLOWS OF RESOURCES			
2600	Unavailable revenue - property taxes	1,858,723	794,460
	Total deferred inflows of resources	1,858,723	794,460
FUND BALANCES			
3410	Nonspendable - inventories	19,338	-
3450	Restricted - grant funds	-	-
3470	Restricted - capital acquisitions and contractual obligations	-	-
3480	Restricted - debt service	-	4,136,994
3545	Committed - other	-	-
3570	Assigned - capital expenditures	36,840	-
3600	Unassigned	28,408,141	-
3000	Total fund balances	28,464,319	4,136,994
4000	TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 41,603,305</u>	<u>\$ 5,877,240</u>

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

Exhibit C-1

699		98
Capital Projects Funds	Total Nonmajor Funds	Total Governmental Funds
\$ -	\$ 1,329,784	\$ 8,012,808
92,080,843	705,505	123,955,991
-	-	2,707,183
-	-	(54,000)
-	2,416,890	7,479,685
-	-	1,885,695
-	-	6,867
-	98,920	118,258
<u>92,080,843</u>	<u>4,551,099</u>	<u>144,112,487</u>
<u>\$ 92,080,843</u>	<u>\$ 4,551,099</u>	<u>\$ 144,112,487</u>
\$ 9,023,215	\$ -	\$ 12,764,081
-	-	51,700
19,870	439,720	7,877,328
2,141	1,827,172	1,885,695
-	-	945,786
-	-	13,577
-	118,721	118,721
<u>9,045,226</u>	<u>2,385,613</u>	<u>23,656,888</u>
-	-	2,653,183
-	-	2,653,183
-	-	19,338
-	1,678,856	1,678,856
83,035,617	-	83,035,617
-	-	4,136,994
-	486,630	486,630
-	-	36,840
-	-	28,408,141
<u>83,035,617</u>	<u>2,165,486</u>	<u>117,802,416</u>
<u>\$ 92,080,843</u>	<u>\$ 4,551,099</u>	<u>\$ 144,112,487</u>

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New Caney Independent School District
 Reconciliation of the Governmental Funds Balance Sheet
 to the Statement of Net Position
 August 31, 2018

Exhibit C1-R

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-1) **\$ 117,802,416**

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

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

Governmental capital assets costs	\$ 511,501,897	
Accumulated depreciation of governmental capital assets	(121,630,191)	389,871,706

Property taxes receivable, which will be collected subsequent to year-end, but are not available soon enough to pay expenditures and, therefore, are deferred in the funds. 2,653,183

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

Bonds payable, at original par	\$ (461,040,352)	
Premium on bonds payable	(32,574,623)	
Discount on bonds payable	102,846	
Accreted interest	(1,697,803)	
Accrued interest on the bonds	(865,130)	
Net pension liability	(29,658,134)	
Net OPEB liability	(49,755,221)	(575,488,417)

Deferred charge on refunding is reported as deferred outflow in the statement of net position and is not reported in the funds due to it is not a current financial resource available to pay for current expenditures. 7,077,465

Deferred outflows of resources for pension represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenses/expenditures) until then. 12,553,151

Deferred inflows of resources for pension represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. (4,536,211)

Deferred outflows of resources for OPEB represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenses/expenditures) until then. 775,794

Deferred inflows of resources for OPEB represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. (20,812,703)

TOTAL NET POSITION (DEFICIT) - GOVERNMENTAL ACTIVITIES (EXHIBIT A-1) **\$ (70,103,616)**

New Caney Independent School District
Statement of Revenues, Expenditures and Changes
in Fund Balances – Governmental Funds
For the Fiscal Year Ended August 31, 2018

Data Control Codes		199	599
		General Fund	Debt Service Fund
REVENUES			
5700	Local and intermediate sources	\$ 46,597,239	\$ 19,498,309
5800	State program revenues	93,946,630	5,987,382
5900	Federal program revenues	1,350,165	-
5020	Total revenues	141,894,034	25,485,691
EXPENDITURES			
Current:			
0011	Instruction	77,483,725	-
0012	Instructional resources and media services	1,286,262	-
0013	Curriculum and instructional staff development	2,420,634	-
0021	Instructional leadership	1,390,739	-
0023	School leadership	8,652,562	-
0031	Guidance, counseling, and evaluation services	4,747,810	-
0032	Social work services	-	-
0033	Health services	1,346,916	-
0034	Student transportation	7,802,699	-
0035	Food services	-	-
0036	Extracurricular activities	5,747,139	-
0041	General administration	5,374,283	-
0051	Plant maintenance and operations	14,417,718	-
0052	Security and monitoring services	1,448,408	-
0053	Data processing services	4,154,452	-
0061	Community services	13,030	-
Debt service:			
0071	Principal on long-term debt	-	7,678,410
0072	Interest on long-term debt	-	18,700,409
0073	Issuance costs and fees	-	351,594
Capital outlay:			
0081	Facilities acquisition and construction	-	-
Intergovernmental:			
0093	Payments related to shared services arrangements	-	-
0099	Other intergovernmental charges	599,850	-
6030	Total expenditures	136,886,227	26,730,413
1100	Excess (deficiency) of revenues over (under) expenditures	5,007,807	(1,244,722)
OTHER FINANCING SOURCES (USES)			
7901	Issuance of refunding bonds	-	28,550,000
7911	Issuance of capital-related bonds	-	-
7916	Premium or discount on issuance of bonds	-	3,711,256
8940	Payment to bond refunding escrow agent	-	(31,914,832)
7080	Total other financing sources (uses)	-	346,424
1200	Net change in fund balances	5,007,807	(898,298)
0100	Fund balances - beginning	23,456,512	5,035,292
3000	FUND BALANCES - ENDING	\$ 28,464,319	\$ 4,136,994

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

699	Total	98
Capital Projects Funds	Nonmajor Funds	Total Governmental Funds
\$ 905,357	\$ 3,408,276	\$ 70,409,181
24,334	1,793,616	101,751,962
-	13,940,681	15,290,846
<hr/>	<hr/>	<hr/>
929,691	19,142,573	187,451,989
-	6,412,954	83,896,679
-	138,793	1,425,055
-	1,567,340	3,987,974
-	2,743	1,393,482
-	270,247	8,922,809
-	585,483	5,333,293
-	3,943	3,943
-	50	1,346,966
-	13,950	7,816,649
-	8,942,484	8,942,484
-	392,617	6,139,756
-	47,814	5,422,097
-	-	14,417,718
-	6,852	1,455,260
-	-	4,154,452
-	150,912	163,942
-	-	7,678,410
-	-	18,700,409
454,301	-	805,895
59,050,799	-	59,050,799
-	154,000	154,000
-	-	599,850
<hr/>	<hr/>	<hr/>
59,505,100	18,690,182	241,811,922
<hr/>	<hr/>	<hr/>
(58,575,409)	452,391	(54,359,933)
-	-	28,550,000
59,015,000	-	59,015,000
1,439,300	-	5,150,556
-	-	(31,914,832)
<hr/>	<hr/>	<hr/>
60,454,300	-	60,800,724
<hr/>	<hr/>	<hr/>
1,878,891	452,391	6,440,791
81,156,726	1,713,095	111,361,625
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<u>\$ 83,035,617</u>	<u>\$ 2,165,486</u>	<u>\$ 117,802,416</u>

New Caney Independent School District
 Reconciliation of the Statement of Revenues,
 Expenditures and Changes in Fund Balances of
 Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended August 31, 2018

Exhibit C-3

TOTAL NET CHANGES IN FUND BALANCES - GOVERNMENTAL (EXHIBIT C-2) \$ 6,440,791

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital assets increased	\$ 57,066,410	
Depreciation expense	(12,323,828)	44,742,582

Because some property taxes will not be collected for several months after the District's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased (decreased) by this amount this year. (62,010)

Issuance of bonds provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.

Par value	\$ (87,565,000)	
(Premium) discount	(5,150,556)	(92,715,556)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 7,678,410

Payment to escrow agent to refund bonds from refunding proceeds. 31,914,832

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due, and includes amortization of related long-term debt accounts. The increase (decrease) in interest expense reported in the statement of activities consist of the following:

Accrued interest on current interest bonds payable (increased) decreased	\$ (68,030)	
Interest accreted on the capital appreciation bonds	(136,330)	
Accreted interest paid	1,036,590	
Amortization of bond premium and discount	1,475,005	
Amortization of deferred charge on refunding	(422,473)	1,884,762

The net change in net pension liability, deferred outflows, and deferred inflows is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following:

Deferred outflows increased (decreased)	\$ (1,581,918)	
Deferred inflows (increased) decreased	(2,647,595)	
Net pension liability (increased) decreased	3,097,067	(1,132,446)

The net change in net OPEB liability, deferred outflows, and deferred inflows is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following:

Deferred outflows increased (decreased)	\$ 180,944	
Deferred inflows (increased) decreased	(20,812,703)	
Net OPEB liability (increased) decreased	38,085,109	17,453,350

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES (EXHIBIT B-1) \$ 16,204,715

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

New Caney Independent School District
 Statement of Assets and Liabilities
 Fiduciary Fund
 August 31, 2018

Exhibit E-1

<u>Data Control Codes</u>		<u>Agency Fund Student Activity</u>
	ASSETS	
1110	Cash and cash equivalents	\$ 396,559
1000	TOTAL ASSETS	<u>\$ 396,559</u>
	LIABILITIES	
2190	Due to student groups	\$ 396,559
2000	TOTAL LIABILITIES	<u>\$ 396,559</u>

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

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New Caney Independent School District

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies

A. Description of Government-wide Financial Statements

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

B. Reporting Entity

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

C. Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. 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.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category—governmental 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.

The District reports the following major governmental funds:

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

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

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

Additionally, the District reports the following fund types:

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

New Caney Independent School District

Notes to the Financial Statements

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 funds) are eliminated.

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

E. Change in Accounting Principle

In fiscal year 2018, the District implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* – which supersedes GASB Statement No. 45.

The requirements of Statement No. 75 apply to the financial statements of all state and local government employers whose employees are provided postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense related to the OPEB plan. Note disclosure and required supplementary information requirements about the OPEB plan also are addressed. The implementation of Statement No. 75 has no impact on the District's governmental fund financial statements, which continue to report expenditures in the contribution amount determined legislatively. Refer to Note 4.D. for more information regarding the District's OPEB plan. The implementation of Statement No. 75 resulted in the retroactive restatement of the District's beginning net position by \$87,245,480. See Note 4.G. for details of the District's prior period adjustment and restatement of beginning net position.

F. 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 required under accrual accounting. However, debt service expenditures 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.

New Caney Independent School District

Notes to the Financial Statements

Interest associated with the current fiscal period is considered to be susceptible to accrual and has been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). 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, including property taxes, are considered to be measurable and available only when cash is received by the District.

The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

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

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand and cash on deposit with bank depository.

2. Investments

Investments for the District, except for certain investment pools, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost or fair value.

3. Inventories and Prepaid Items

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

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

4. Capital Assets

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

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the District chose to include all such items regardless of their acquisition date or amount. The District was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the District constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

New Caney Independent School District

Notes to the Financial Statements

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

<u>Capital Asset Classes</u>	<u>Lives</u>
Buildings and improvements	5-47
Furniture and equipment	5-30

5. *Deferred Outflows/Inflows of Resources*

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

Deferred outflows/inflows of resources are amortized as follows:

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

6. *Compensated Absences*

Vacation

The District does not have a liability for unpaid vacation at year end due to the District's policy does not allow a carryover of vacation not taken at August 31.

Sick Leave

Prior to September 1, 1992, the District's policy permitted employees to accumulate earned but unused sick leave benefits. Payment for unused sick leave days accumulated locally will be made upon retirement (in accordance with guidelines established by the Teacher Retirement System of Texas) for all employees hired prior to September 1, 1992. No liabilities were recorded due to the amounts were not significant. All sick pay is accrued when incurred in the government-wide financial statements. If significant, a liability for these amounts is reported in governmental funds only if they have met the District's retirement and State's retirement eligibility requirements.

7. *Net Position Flow Assumption*

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide 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.

New Caney Independent School District

Notes to the Financial Statements

8. Fund Balance Flow Assumptions

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

9. Fund Balance Policies

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

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

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

10. Pension

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

11. Other Postemployment Benefits

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

New Caney Independent School District

Notes to the Financial Statements

H. Revenues and Expenditures/Expenses

1. *Program Revenues*

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

2. *Property Taxes*

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

I. Use of Estimates

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

J. Data Control Codes

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

New Caney Independent School District

Notes to the Financial Statements

Note 2. Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

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

B. Encumbrances

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

Significant encumbrances included in governmental fund balances are as follows:

	<u>Restricted Fund Balance</u>	<u>Assigned Fund Balance</u>
General fund	\$ -	\$ 36,840
Capital projects fund	<u>4,716,283</u>	<u>-</u>
Total encumbrances	<u>\$ 4,716,283</u>	<u>\$ 36,840</u>

New Caney Independent School District

Notes to the Financial Statements

Note 3. Detailed Notes on All Funds

A. Deposits and Investments

Cash Deposits

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

Investments

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

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

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

New Caney Independent School District

Notes to the Financial Statements

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

The District's measurements of investments are presented in the table below. The District's investment balances and weighted average maturity and credit risk of such investments are as follows:

	Fair Value Measurement Using				
	August 31, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Percent of Total Investments	Weighted Average Maturity (Days)	Moody's / S&P Rating
Investments measured at amortized cost:					
Investment pools					
Texpool - LGIP	\$ 118,626,406	\$ -	97%	28	AAAm
Lone Star Overnight	3,945,774	-	3%	20	AAAm
Investments measured at fair value:					
Wells Fargo money market mutual funds	-	1,383,811	0%	35	AAAm/Aaa-mf
Total	\$ 122,572,180	\$ 1,383,811	100%		
Portfolio weighted average maturity				28	

Investment Pools are measured at amortized cost. Such investments are not required to be reported by levels in the table above.

Wells Fargo Money Market Mutual Funds are reported at fair value. Such investments are reported as level 1 in the table above.

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

New Caney Independent School District

Notes to the Financial Statements

Credit Risk

For fiscal year 2018, the District invested in Wells Fargo Money Market Mutual Funds, TexPool, and Lone Star Investment Pool. TexPool is duly chartered and administered by the State Comptroller's Office. Lone Star Investment Pool is duly chartered by the State of Texas Interlocal Cooperation Act and is administered by First Public, LLC, formerly, the Texas Association of School Boards Financial Services. The credit rating for investments are noted in the table above.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The District monitors interest rate risk utilizing weighted average maturity analysis. In accordance with its investment policy, the District reduces its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio as a whole to no more than 180 days, diversification and by holding securities to maturity not to exceed one year unless specifically authorized by the Board of Trustees.

Concentration of Credit Risk

The District's investment policy does not limit an investment in any one issuer.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of August 31, 2018, the District's bank balance of \$10,124,646 at the local bank was not exposed to custodial credit risk because it was insured and collateralized with securities held by the District's agent and in the District's name.

Custodial Credit Risk – Investments

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

B. Receivables

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

Change in uncollectibles related to General Fund property taxes	\$	1,000
Change in uncollectibles related to Debt Service property taxes		-
		<hr/>
Total change in uncollectibles of the current fiscal year	\$	1,000

New Caney Independent School District

Notes to the Financial Statements

C. Interfund Receivables and Payables

1. Receivables/Payables

The composition of interfund balances as of August 31, 2018, was as follows:

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 1,829,313	\$ 56,382
Debt Service Fund	56,382	-
Capital Projects Funds	-	2,141
Other governmental funds - nonmajor	-	1,827,172
Totals	\$ 1,885,695	\$ 1,885,695

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

2. Transfers

There were no interfund transfers between the various funds at August 31, 2018.

D. Capital Assets

Capital asset activity for the fiscal year ended August 31, 2018 was as follows:

	Beginning Balance	Additions	Reductions and Adjustments	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land and improvements	\$ 28,232,772	\$ 5,354,780	\$ -	\$ -	\$ 33,587,552
Construction in progress	33,619,346	47,788,147	-	(49,853,257)	31,554,236
Total capital assets, not being depreciated	61,852,118	53,142,927	-	(49,853,257)	65,141,788
Capital assets, being depreciated:					
Buildings and improvements	374,974,004	1,313,222	-	49,853,257	426,140,483
Furniture and equipment	17,623,696	2,610,261	(14,331)	-	20,219,626
Total capital assets, being depreciated	392,597,700	3,923,483	(14,331)	49,853,257	446,360,109
Less accumulated depreciation for:					
Buildings and improvements	(97,770,237)	(10,321,047)	-	-	(108,091,284)
Furniture and equipment	(11,550,457)	(2,002,781)	14,331	-	(13,538,907)
Total accumulated depreciation	(109,320,694)	(12,323,828)	14,331	-	(121,630,191)
Total capital assets, being depreciated, net	283,277,006	(8,400,345)	-	49,853,257	324,729,918
Governmental activities capital assets, net	\$ 345,129,124	\$ 44,742,582	\$ -	\$ -	\$ 389,871,706

New Caney Independent School District

Notes to the Financial Statements

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

Governmental Activities:	
11 Instruction	\$ 8,554,558
12 Instructional resources and media services	174,857
13 Curriculum and instructional staff development	35,535
21 Instructional leadership	506
23 School leadership	98,456
31 Guidance, counseling, and evaluation services	24,169
33 Health services	24,169
34 Student (pupil) transportation	1,032,480
35 Food services	226,885
36 Extracurricular activities	1,690,732
41 General administration	53,649
51 Plant maintenance and operations	191,245
52 Security and monitoring services	22,568
53 Data processing	194,019
	<hr/>
Total depreciation expense-governmental activities	<u><u>\$12,323,828</u></u>

Construction Commitments

The District had active construction projects as of August 31, 2018. The projects include the construction and equipment of school facilities. At year end, the District's commitments with contractors are as follows:

<u>Project</u>	<u>Remaining Commitment</u>
Brookwood Elementary School	\$ 33,479
New Caney High School	1,741,269
New Caney Middle School	328,825
Bens Branch, Crippen, Valley Ranch, Sorters Mill and Oakley ES	2,612,710
	<hr/>
Totals	<u><u>\$ 4,716,283</u></u>

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

E. Long-term Liabilities

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

New Caney Independent School District

Notes to the Financial Statements

Changes in Long-term Liabilities

Long-term liability activity for the fiscal year ended August 31, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 411,228,762	\$ 87,565,000	\$ (37,753,410)	\$ 461,040,352	\$ 7,384,994
Issuance premiums	28,987,120	5,150,556	(1,563,053)	32,574,623	-
Issuance discounts	(263,774)	-	160,928	(102,846)	-
For accreted interest (CAB's)	2,598,063	136,330	(1,036,590)	1,697,803	-
Total bonds payable, net	442,550,171	92,851,886	(40,192,125)	495,209,932	7,384,994
Net pension liability	32,755,201	5,538,542	(8,635,609)	29,658,134	-
Net OPEB liability*	87,840,330	8,419	(38,093,528)	49,755,221	-
Governmental activities					
long-term liabilities	<u>\$ 563,145,702</u>	<u>\$ 98,398,847</u>	<u>\$ (86,921,262)</u>	<u>\$ 574,623,287</u>	<u>\$ 7,384,994</u>

* Per GASB Statement No. 75, beginning balance for net OPEB liability includes the restatement of the net OPEB liability at September 1, 2017.

General Obligation Bonds

The District issues general obligation bonds to provide funds for the construction and equipment of school facilities buildings (BLDG) and to refund general obligation bonds (REF). General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds are issued as 14-32 year current interest and capital appreciation bonds (CAB) with various amounts of principal maturing each year. The following is a summary of changes in the general obligation bonds for the fiscal year:

Series	Interest Rate	Original Issue	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance
2006 (CAB) REF	-	\$ 4,385,000	2/15/2020	\$ 483,762	\$ -	\$ (183,410)	\$ 300,352
2008 BLDG	3.50-5.00%	19,625,000	2/15/2038	7,650,000	-	(7,650,000)	-
2009 BLDG	4.0-5.0%	26,470,000	2/15/2039	24,105,000	-	(23,515,000)	590,000
2010 REF	2-4.125%	8,135,000	2/15/2030	5,560,000	-	-	5,560,000
2010 (CAB) REF	-	2,540,000	2/15/2020	1,165,000	-	(630,000)	535,000
2010 BLDG	3.75-4.50%	12,650,000	2/15/2039	12,650,000	-	-	12,650,000
2010A REF	2.0-4.0%	4,080,000	2/15/2030	2,985,000	-	(185,000)	2,800,000
2011 REF	2.0-4.0%	9,255,000	2/15/2033	8,000,000	-	(285,000)	7,715,000
2012 BLDG	3.50-5.00%	55,000,000	2/15/2042	50,235,000	-	-	50,235,000
2012 REF	2.00-5.00%	17,150,000	2/15/2033	15,490,000	-	(495,000)	14,995,000
2013 REF	3.25-6.25%	13,985,000	2/15/2035	12,875,000	-	(420,000)	12,455,000
2013 BLDG	3.00-5.00%	31,850,000	2/15/2042	29,830,000	-	(1,005,000)	28,825,000
2014 REF	2.00-4.00%	7,680,000	2/15/2033	6,590,000	-	(325,000)	6,265,000
2014 BLDG	2-4.25%	9,240,000	2/15/2042	5,990,000	-	(180,000)	5,810,000
2015 REF	2.00-5.00%	51,500,000	2/15/2037	50,870,000	-	(1,425,000)	49,445,000
2015 BLDG	2.00-5.00%	86,315,000	2/15/2045	85,060,000	-	(955,000)	84,105,000
2015A REF	2.00-5.00%	10,610,000	2/15/2030	10,435,000	-	-	10,435,000
2016 REF	2.00-4.00%	8,605,000	8/15/2038	8,465,000	-	-	8,465,000
2017 BLDG	2.00-5.00%	73,895,000	2/15/2047	72,790,000	-	(395,000)	72,395,000
2017 REF	2.00-5.00%	28,550,000	2/15/2039	-	28,550,000	(105,000)	28,445,000
2018 BLDG	2.00-5.00%	59,015,000	2/15/2050	-	59,015,000	-	59,015,000
Totals				<u>\$ 411,228,762</u>	<u>\$ 87,565,000</u>	<u>\$ (37,753,410)</u>	<u>\$ 461,040,352</u>

New Caney Independent School District

Notes to the Financial Statements

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

Year Ending August 31,	Principal Value	Interest	Total Requirements
2019	\$ 7,384,994	\$ 19,326,394	\$ 26,711,388
2020	7,410,358	18,918,168	26,328,526
2021	8,685,000	18,561,618	27,246,618
2022	9,080,000	18,758,586	27,838,586
2023	9,500,000	18,339,293	27,839,293
2024	9,935,000	17,900,821	27,835,821
2025	10,380,000	17,454,881	27,834,881
2026	10,845,000	16,988,094	27,833,094
2027	11,325,000	16,506,532	27,831,532
2028	11,805,000	16,031,463	27,836,463
2029	12,270,000	15,559,922	27,829,922
2030	12,760,000	15,071,209	27,831,209
2031	13,330,000	14,565,209	27,895,209
2032	13,875,000	14,018,287	27,893,287
2033	14,490,000	13,409,868	27,899,868
2034	15,030,000	12,748,940	27,778,940
2035	15,705,000	12,078,353	27,783,353
2036	16,230,000	11,394,281	27,624,281
2037	16,965,000	10,660,719	27,625,719
2038	17,590,000	9,890,306	27,480,306
2039	18,115,000	9,089,844	27,204,844
2040	17,330,000	8,289,650	25,619,650
2041	18,135,000	7,487,625	25,622,625
2042	18,975,000	6,647,950	25,622,950
2043	19,840,000	5,784,250	25,624,250
2044	20,725,000	4,896,150	25,621,150
2045	21,655,000	3,967,825	25,622,825
2046	20,090,000	3,036,325	23,126,325
2047	21,020,000	2,100,850	23,120,850
2048	13,065,000	1,361,100	14,426,100
2049	13,505,000	829,700	14,334,700
2050	13,990,000	279,800	14,269,800
Totals	<u>\$ 461,040,352</u>	<u>\$ 361,954,013</u>	<u>\$ 822,994,365</u>

As of August 31, 2018, the District had \$140,000,000 in authorized but unissued bonds.

In February 2018, the District issued \$59,015,000 of unlimited tax school building bonds with interest rates between 2.0% and 5.0%. The bond proceeds will be used for construction and equipment of school buildings. The debt service on the bond is due semi-annually on February and August 15th and will mature February 15, 2050.

In September 2017, the District issued \$28,550,000 of refunding bonds. The proceeds of the refunding bonds were used to legally defease \$30,075,000 of previously issued District bonds in order to lower its overall debt service requirements. The reacquisition price exceeded the net carrying value of the old debt by \$1,912,712. The District advance-refunded the bonds in order to reduce its future debt service payments by \$5,250,774 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$237,721.

New Caney Independent School District

Notes to the Financial Statements

The District defeased certain bonds through the issuance of new bonds and placed the proceeds in an irrevocable trust to provide for all future debt service payments of the old bonds. Securities being utilized to repay the refinanced debt as it becomes due consist solely of U.S. government obligations. Accordingly, the trust account securities and the liability for the defeased bonds are not included in the District's basic financial statements. At August 31, 2018, the following outstanding bonds are considered defeased:

2009 General Obligation Bonds (maturing 2020-2039, callable August 15, 2019)	<u>\$ 22,935,000</u>
Total	<u><u>\$ 22,935,000</u></u>

F. Fund Balance

Other committed fund balance includes the following commitments of funds:

Other governmental funds:	
Campus activity	<u>\$ 486,630</u>
Total other committed fund balance	<u><u>\$ 486,630</u></u>

G. Revenues from Local and Intermediate Sources

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

	General	Debt Service	Capital Projects	Other Governmental Funds	Totals
Property taxes	\$ 45,113,846	\$ 19,265,420	\$ -	\$ -	\$ 64,379,266
Investment income	486,822	232,889	905,357	15,072	1,640,140
Food sales	-	-	-	2,228,866	2,228,866
Other	996,571	-	-	1,164,338	2,160,909
Total	<u><u>\$ 46,597,239</u></u>	<u><u>\$ 19,498,309</u></u>	<u><u>\$ 905,357</u></u>	<u><u>\$ 3,408,276</u></u>	<u><u>\$ 70,409,181</u></u>

Note 4. Other Information

A. Risk Management

Property/Liability

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

New Caney Independent School District

Notes to the Financial Statements

Health Care Coverage

During the year ended August 31, 2018, employees of the District were covered by TRS-Active Care (the Plan) a statewide health coverage program for Texas public education employees, implemented by the Teacher Retirement System of Texas (TRS). The District paid premiums of \$250 per month, per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to the TRS. The legislature created the Plan for public school employee group health coverage in 2002-03, requiring all Districts with fewer than 500 employees to participate in the Plan.

Workers' Compensation

The District participates in the Texas Public Workers' Compensation Program ("Program"). The Program was created to formulate, develop and administer a program of modified self-funding for the Program's membership, obtain competitive costs for coverages and develop a comprehensive loss control program. The District pays an annual premium to the Program for its coverages and transfers the risk of loss to the Program. The District's agreement with the Program provides that the Program will be self-sustaining through member premiums and will provide, through commercial companies, reinsurance contracts. In regards to the workers' compensation program, the Program maintains stop loss coverage for any claim in excess of the Program's self-insured retention. In the event that the Program was to discontinue operations or leave the Program, the member districts would be responsible for any eligible claims not funded by the Program. There were no significant reductions in insurance coverage from the prior year or settlements exceeding insurance coverage for each of the past three fiscal years.

B. Litigation and Contingencies

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

The District participates in a number of federal and state financial assistance programs. Although the District's grant programs have been audited in accordance with the provisions of the Single Audit Act through August 31, 2018, these programs are subject to financial and compliance audits by the grantor agencies. The District is also subject to audit by the TEA of the attendance data upon which payments from the agency are based. These audits could result in questioned costs or refunds to be paid back to the granting agencies.

C. Defined Benefit Pension Plan

Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). It is a defined benefit pension plan 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.

New Caney Independent School District

Notes to the Financial Statements

Pension Plan Fiduciary Net Position

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

Benefits Provided

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

Contributions

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017 and the 85th Texas Legislature, GAA established the employer contribution rates for plan fiscal years 2018 and 2019. Rates for such plan fiscal years are as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Member	7.7%	7.7%	7.2%
Non-employer contributing entity (state)	6.8%	6.8%	6.8%
Employers/district	6.8%	6.8%	6.8%

The contribution amounts for the District's fiscal year 2018 are as follows:

District contributions	\$ 3,512,303
Member contributions	7,953,894
NECE On-behalf contributions (state)	4,780,464

New Caney Independent School District

Notes to the Financial Statements

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 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.
- 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
Asset valuation method	Market value
Single discount rate	8.00%
Long-term expected rate	8.00%
Municipal bond rate	N/A*
Last year ending August 31 in the 2017 to 2116 projection period (100 years)	2116
Inflation	2.50%
Salary increases	3.50% to 9.50% including inflation
Ad hoc post-employment benefit changes	None

*If a municipal bond rate was to be used, the rate would be 3.42% as of August 2017 (i.e. the rate closest to but not later than the Measurement Date). The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."

New Caney Independent School District

Notes to the Financial Statements

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

Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8.0%. 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 System's target asset allocation as of August 31, 2017 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns*
Global equity			
U.S.	18.0%	4.6%	1.0%
Non-U.S. developed	13.0%	5.1%	0.8%
Emerging markets	9.0%	5.9%	0.7%
Directional hedge funds	4.0%	3.2%	0.1%
Private equity	13.0%	7.0%	1.1%
Stable value			
U.S. treasuries	11.0%	0.7%	0.1%
Absolute return	0.0%	1.8%	0.0%
Stable value hedge funds	4.0%	3.0%	0.1%
Cash	1.0%	(0.2%)	0.0%
Real return			
Global inflation linked bonds	3.0%	0.9%	0.0%
Real assets	16.0%	5.1%	1.1%
Energy and natural resources	3.0%	6.6%	0.2%
Commodities	0.0%	1.2%	0.0%
Risk Parity			
Risk parity	5.0%	6.7%	0.3%
Inflation expectation			2.2%
Alpha			1.0%
<i>Totals</i>	100.0%		8.7%

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

New Caney Independent School District

Notes to the Financial Statements

Discount Rate Sensitivity Analysis

The following table presents the District's proportionate share of net pension liability for TRS calculated using the discount rate of 8.0%, as well as the District's proportionate share of the respective net pension liability if it was calculated using a discount rate that is 1% lower (7%) or 1% higher (9%) than the current rate:

1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
\$ 49,997,754	\$ 29,658,134	\$ 12,722,099

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

At August 31, 2018, the District reported a liability of \$29,658,134 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support and the total portion of the net pension liability that was associated with the District are as follows:

District's proportionate share of the net pension liability	\$ 29,658,134
State's proportionate share of the net pension liability associated with the district	<u>45,319,803</u>
Total	<u><u>\$ 74,977,937</u></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 District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2016 through August 31, 2017.

At August 31, 2017, the employer's proportion of the net pension liability was 0.0927553% which was an increase of 0.006075% from its proportion measured as of August 31, 2016.

Changes since the Prior Actuarial Valuation

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

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

For the fiscal year ended August 31, 2018, the District recognized pension expense of \$8,101,563 and revenue of \$3,456,814 for support provided by the State.

New Caney Independent School District

Notes to the Financial Statements

At August 31, 2018, the District reported deferred outflows of resources for contribution made after the measurement date and its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 433,912	\$ 1,599,424
Changes of assumptions	1,350,975	773,402
Net difference between projected and actual earnings on pension plan investments	-	2,161,420
Changes in proportion and differences between District contributions and proportionate share of contributions (cost-sharing plan)	7,255,961	1,965
District contribution after measurement date	3,512,303	-
Totals	\$ 12,553,151	\$ 4,536,211

\$3,512,303 was reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2019. Other amounts reported as deferred outflows of resources (deferred inflows of resources) related to pensions will be recognized in pension expense as follows:

August 31,	
2019	\$ 697,248
2020	2,590,403
2021	551,788
2022	(10,096)
2023	468,295
Thereafter	206,999
Total	\$ 4,504,637

D. Defined Other Postemployment Benefit Plan

Plan Description

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

OPEB Plan Fiduciary Net Position

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

New Caney Independent School District

Notes to the Financial Statements

Benefits Provided

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

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

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.

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

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.

New Caney Independent School District

Notes to the Financial Statements

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 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	<u>2018</u>	<u>2017</u>
Active employee	0.65%	0.65%
Non-employer contribution entity (state)	1.25%	1.00%
Employers/District	0.75%	0.55%
Federal/private funding remitted by employers	1.25%	1.00%

The contribution amounts for the District's fiscal year 2018 are as follows:

District contributions	\$ 768,008
Member contributions	671,433
NECE on-behalf contributions (state)	1,459,097

In addition, the State of Texas contributed \$229,976, \$304,967 and \$357,237 in 2018, 2017, and 2016, respectively, for on-behalf payments for Medicare Part D.

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$15.6 million in fiscal year 2017 and \$212 million in fiscal year 2018.

New Caney Independent School District

Notes to the Financial Statements

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 which were adopted by the Plan's 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 additional actuarial methods and assumptions were employed in the August 31, 2017 actuarial valuation of the total OPEB liability:

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 retiree; 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.

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, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

New Caney Independent School District

Notes to the Financial Statements

Sensitivity of the Net OPEB Liability

Discount Rate

The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.42%) in measuring the net OPEB liability.

Sensitivity of the Net OPEB Liability to the Single Discount Rate Assumptions		
1% Decrease (2.42%)	Current Discount Rate (3.42%)	1% Increase (4.42%)
<u> </u>	<u> </u>	<u> </u>
\$58,723,513	\$49,755,221	\$42,546,737

Healthcare Cost Trend Rates

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% lower or 1% higher than the assumed health-care cost trend rate:

Sensitivity of the Net OPEB Liability to the Healthcare Cost Trend Rate Assumptions		
1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
<u> </u>	<u> </u>	<u> </u>
\$41,426,192	\$49,755,221	\$60,683,957

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

As of August 31, 2018, the District reported a liability of \$49,755,221 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 net OPEB liability	\$ 49,755,221
State's proportionate share of the net OPEB liability associated with the District	<u>75,560,484</u>
Total	<u><u>\$ 125,315,705</u></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 employer's proportion of the net OPEB liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2016 through August 31, 2017.

At August 31, 2017, the employer's proportion of the collective net OPEB liability was 0.011442% which was the same proportion measured as of August 31, 2016.

New Caney Independent School District

Notes to the Financial Statements

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

1. 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.
2. 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.
3. The discount rate changed from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017. This change lowered the total OPEB liability.

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

Statement No. 75 requires the District to record OPEB expense for the amount of the State's proportionate share of collective OPEB expense that is associated with the District, and record revenue in the same amount for the support provided by the State. For the measurement period ended August 31, 2017, the State's proportionate share of collected OPEB expense was a negative expense of \$8,504,163,580 and the portion of that amount that is associated with the District is a negative expense of \$25,284,547. This amount is recorded as a negative revenue and negative expense for the year ended August 31, 2018.

For the year ended August 31, 2018, the District recognized total negative OPEB expense of \$41,969,890, which includes both the District's proportionate share of collective OPEB expense and the portion of the State's proportionate share of collective OPEB expense that is associated with the District, as described above.

At August 31, 2018, the District reported the District's contribution after the measurement date and its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual economic experience	\$ -	\$ 1,038,678
Changes of assumptions	-	19,774,025
Net difference between projected and actual earnings on pension plan investments	7,558	-
Changes in proportion and differences between District contributions and proportionate share of contributions (cost-sharing plan)	229	-
District contributions after measurement date	768,007	-
	<u> </u>	<u> </u>
Totals	<u>\$ 775,794</u>	<u>\$20,812,703</u>

New Caney Independent School District

Notes to the Financial Statements

\$768,007 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ended August 31, 2019. Other amounts reported as deferred outflows of resources (deferred inflows of resources) related to OPEB will be recognized in OPEB expense as follows:

Year Ending August 30,	
2019	\$ (2,745,232)
2020	(2,745,232)
2021	(2,745,232)
2022	(2,745,232)
2023	(2,747,122)
Thereafter	<u>(7,076,866)</u>
Total	<u><u>\$ (20,804,916)</u></u>

E. Joint Venture-Shared Service Arrangement

The District participates in the following shared service arrangements:

Humble Regional Day School Program for the Deaf

The District participates in a shared service arrangement, Humble Regional Day School Program for the Deaf, with numerous districts for the education of students with a hearing impairment. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Humble Independent School District, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent is responsible for the financial activities of the shared service arrangement.

F. Net Position Deficit

The statement of net position reported a deficit balance of \$70,103,616 at August 31, 2018 due to the implementation of Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, as described earlier in Note 1.E. and Note 4.D.

G. Prior Period Adjustment

Net position at September 1, 2017 was restated per the following table for the implementation of GASB Statement No. 75:

	Governmental Activities
Beginning net position, as originally reported	\$ 937,149
Implementation of GASB 75 for OPEB	<u>(87,245,480)</u>
Beginning net position (deficit), restated	<u><u>\$ (86,308,331)</u></u>

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Required Supplementary Information

New Caney Independent School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance – Budget and Actual
General Fund
For the Fiscal Year Ended August 31, 2018

Exhibit G-1

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
REVENUES:					
5700	Local and intermediate sources	\$ 45,010,100	\$ 45,722,729	\$ 46,597,239	874,510
5800	State program revenues	91,888,433	92,575,733	93,946,630	1,370,897
5900	Federal program revenues	885,000	885,000	1,350,165	465,165
5020	Total revenues	137,783,533	139,183,462	141,894,034	2,710,572
EXPENDITURES:					
Current:					
0011	Instruction	79,721,636	78,863,842	77,483,725	1,380,117
0012	Instructional resources and media services	1,346,269	1,349,299	1,286,262	63,037
0013	Curriculum and instructional staff development	2,369,353	2,465,537	2,420,634	44,903
0021	Instructional leadership	1,448,078	1,448,473	1,390,739	57,734
0023	School leadership	8,624,271	8,666,768	8,652,562	14,206
0031	Guidance, counseling, and evaluation services	4,656,364	4,791,941	4,747,810	44,131
0032	Social work services	-	80	-	80
0033	Health services	1,410,931	1,410,931	1,346,916	64,015
0034	Student transportation	7,345,368	8,188,316	7,802,699	385,617
0036	Extracurricular activities	5,331,666	5,815,647	5,747,139	68,508
0041	General administration	5,399,103	5,609,893	5,374,283	235,610
0051	Plant maintenance and operations	14,724,201	14,491,111	14,417,718	73,393
0052	Security and monitoring services	1,242,115	1,468,295	1,448,408	19,887
0053	Data processing services	3,451,678	4,190,869	4,154,452	36,417
0061	Community services	7,500	17,460	13,030	4,430
Intergovernmental charges:					
0095	Payments to juvenile justice alternative education programs	45,000	30,579	-	30,579
0099	Other intergovernmental charges	660,000	674,421	599,850	74,571
6030	Total expenditures	137,783,533	139,483,462	136,886,227	2,597,235
1200	Net change in fund balance	-	(300,000)	5,007,807	5,307,807
0100	Fund balance - beginning	23,456,512	23,456,512	23,456,512	-
3000	FUND BALANCE - ENDING	\$ 23,456,512	\$ 23,156,512	\$ 28,464,319	\$ 5,307,807

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

New Caney Independent School District

Exhibit G-2

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.0927553%	0.0866803%	0.086618%	0.0567278%
District's proportionate share of the net pension liability	\$ 29,658,134	\$ 32,755,201	\$ 30,618,310	\$ 15,152,779
State's proportionate share of the net pension liability associated with the District	<u>45,319,803</u>	<u>52,456,045</u>	<u>48,009,456</u>	<u>38,947,704</u>
TOTALS	<u>\$ 74,977,937</u>	<u>\$ 85,211,246</u>	<u>\$ 78,627,766</u>	<u>\$ 54,100,483</u>
District's covered payroll	\$ 95,872,906	\$ 88,748,492	\$ 82,049,484	\$ 74,214,555
District's proportionate share of the net pension liability as a percentage of its covered payroll	30.93%	36.91%	37.32%	20.42%
Plan fiduciary net position as a percentage of the total pension liability	82.17%	78.00%	78.43%	83.25%

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

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

Exhibit G-3

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
TRS				
Contractually required contributions	\$ 3,512,303	\$ 3,039,976	\$ 2,753,835	\$ 2,564,563
Contributions in relation to the contractually required contributions	<u>(3,512,303)</u>	<u>(3,039,976)</u>	<u>(2,753,835)</u>	<u>(2,564,563)</u>
CONTRIBUTION DEFICIENCY (EXCESS)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 103,297,323	\$ 95,872,906	\$ 88,748,492	\$ 82,049,484
Contributions as a percentage of covered payroll	3.40%	3.17%	3.10%	3.13%

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

New Caney Independent School District

Exhibit G-4

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

	<u>2018</u>
District's proportion of the net OPEB liability	0.114416%
District's proportionate share of the net OPEB liability	\$ 49,755,221
State's proportionate share of the net OPEB liability associated with the District	<u>75,560,484</u>
TOTALS	<u>\$ 125,315,705</u>
District's covered payroll	\$ 95,872,906
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	51.90%
Plan fiduciary net position as a percentage of the total OPEB liability	0.91%

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

New Caney Independent School District
 Schedule of the District's Contributions to the
 Teacher Retirement System of Texas OPEB Plan
 For the Last Fiscal Year*

Exhibit G-5

	<u>2018</u>
TRS	
Contractually required contributions	\$ 768,007
Contributions in relation to the contractually required contributions	<u>(768,007)</u>
CONTRIBUTION DEFICIENCY (EXCESS)	<u>\$ -</u>
District's covered payroll	\$ 103,297,323
Contributions as a percentage of covered payroll	0.74%

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

New Caney Independent School District

Notes to the Required Supplementary Information

Note 1. Budget

A. Budgetary Information

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

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

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

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

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Supplementary Information

New Caney Independent School District
Combining Balance Sheet
Non-major Government Funds – Special Revenue Funds
August 31, 2018

	210	211	212
Data Control Codes	Title I 1003 School Improvement	ESSA Title I Improving Basic Programs	Title-I Part C Migrant
ASSETS			
1110	\$ -	\$ -	\$ -
1120	-	-	-
1240	248	281,678	5,008
1300	-	-	-
1000	<u>\$ 248</u>	<u>\$ 281,678</u>	<u>\$ 5,008</u>
LIABILITIES			
2160	\$ -	\$ 82,059	\$ -
2170	248	199,619	5,008
2300	-	-	-
2000	248	281,678	5,008
FUND BALANCES			
3450	-	-	-
3545	-	-	-
3000	-	-	-
4000	<u>\$ 248</u>	<u>\$ 281,678</u>	<u>\$ 5,008</u>

224	225	226	240	244
IDEA-B Formula	IDEA-B Preschool Grant	IDEA-B High Cost Funds	National School Breakfast/Lunch Program	Career and Technical - Basic Grant
\$ -	\$ -	\$ -	\$ 731,697	\$ -
-	-	-	699,991	-
202,115	7	-	373,170	21,477
-	-	-	98,920	-
<u>\$ 202,115</u>	<u>\$ 7</u>	<u>\$ -</u>	<u>\$ 1,903,778</u>	<u>\$ 21,477</u>
\$ 124,339	\$ -	\$ -	\$ 217,054	\$ -
77,776	7	-	7,868	21,477
-	-	-	-	-
202,115	7	-	224,922	21,477
-	-	-	1,678,856	-
-	-	-	-	-
-	-	-	1,678,856	-
<u>\$ 202,115</u>	<u>\$ 7</u>	<u>\$ -</u>	<u>\$ 1,903,778</u>	<u>\$ 21,477</u>

New Caney Independent School District
Combining Balance Sheet
Non-major Government Funds – Special Revenue Funds
August 31, 2018

		255	263	289
Data Control Codes		ESSA Title II Training and Recruiting	Title III, English Language Acquisition and Enhancement	Other Federally Funded Grants
ASSETS				
1110	Cash and cash equivalents	\$ -	\$ -	\$ -
1120	Current investments	-	-	-
1240	Due from other governments	19,530	39,292	1,472,615
1300	Inventories	-	-	-
1000	TOTAL ASSETS	<u>\$ 19,530</u>	<u>\$ 39,292</u>	<u>\$ 1,472,615</u>
LIABILITIES				
2160	Accrued wages payable	\$ 310	\$ 15,958	\$ -
2170	Due to other funds	19,220	23,334	1,472,615
2300	Unearned revenue	-	-	-
2000	Total liabilities	19,530	39,292	1,472,615
FUND BALANCES				
3450	Restricted - grant funds	-	-	-
3545	Committed - other	-	-	-
3000	Total fund balances	-	-	-
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 19,530</u>	<u>\$ 39,292</u>	<u>\$ 1,472,615</u>

385	397	410	429	460
Supplemental Visually Impaired	Advanced Placement Incentives	State Textbook Fund	Other State Funded Grants	New Caney High School Campus Activity
\$ -	\$ 5,184	\$ 97,433	\$ 14,354	\$ 37,469
-	-	-	-	5,514
-	-	-	1,750	-
-	-	-	-	-
<u>\$ -</u>	<u>\$ 5,184</u>	<u>\$ 97,433</u>	<u>\$ 16,104</u>	<u>\$ 42,983</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	5,184	97,433	16,104	-
-	5,184	97,433	16,104	-
-	-	-	-	-
-	-	-	-	42,983
-	-	-	-	42,983
<u>\$ -</u>	<u>\$ 5,184</u>	<u>\$ 97,433</u>	<u>\$ 16,104</u>	<u>\$ 42,983</u>

New Caney Independent School District
 Combining Balance Sheet
 Non-major Government Funds – Special Revenue Funds
 August 31, 2018

		461	462	463
Data Control Codes		White Oak M.S. Activity	Keefer Crossing M.S. Campus Activity	Porter Elementary Campus Activity
ASSETS				
1110	Cash and cash equivalents	\$ 35,019	\$ 19,008	\$ 4,896
1120	Current investments	-	-	-
1240	Due from other governments	-	-	-
1300	Inventories	-	-	-
1000	TOTAL ASSETS	<u>\$ 35,019</u>	<u>\$ 19,008</u>	<u>\$ 4,896</u>
LIABILITIES				
2160	Accrued wages payable	\$ -	\$ -	\$ -
2170	Due to other funds	-	-	-
2300	Unearned revenue	-	-	-
2000	Total liabilities	-	-	-
FUND BALANCES				
3450	Restricted - grant funds	-	-	-
3545	Committed - other	35,019	19,008	4,896
3000	Total fund balances	<u>35,019</u>	<u>19,008</u>	<u>4,896</u>
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 35,019</u>	<u>\$ 19,008</u>	<u>\$ 4,896</u>

464	465	466	467	468
New Caney Elementary Campus Activity	Aiken Elementary Campus Activity	Robert Crippen Elementary Campus Activity	Kings Manor Elementary Campus Activity	The Learning Center Campus Activity
\$ 3,162	\$ 9,710	\$ 2,349	\$ 15,167	\$ 9,989
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 3,162</u>	<u>\$ 9,710</u>	<u>\$ 2,349</u>	<u>\$ 15,167</u>	<u>\$ 9,989</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
3,162	9,710	2,349	15,167	9,989
<u>3,162</u>	<u>9,710</u>	<u>2,349</u>	<u>15,167</u>	<u>9,989</u>
<u>\$ 3,162</u>	<u>\$ 9,710</u>	<u>\$ 2,349</u>	<u>\$ 15,167</u>	<u>\$ 9,989</u>

New Caney Independent School District
Combining Balance Sheet
Non-major Government Funds – Special Revenue Funds
August 31, 2018

	469	470	471
Data Control Codes	Special Education Campus Activity	Bens Branch Elementary Campus Activity	Valley Ranch Elementary Campus Activity
ASSETS			
1110	\$ 167	\$ 59,912	\$ 6,125
1120	-	-	-
1240	-	-	-
1300	-	-	-
1000	<u>\$ 167</u>	<u>\$ 59,912</u>	<u>\$ 6,125</u>
LIABILITIES			
2160	\$ -	\$ -	\$ -
2170	-	-	-
2300	-	-	-
2000	-	-	-
FUND BALANCES			
3450	-	-	-
3545	167	59,912	6,125
3000	<u>167</u>	<u>59,912</u>	<u>6,125</u>
4000	<u>\$ 167</u>	<u>\$ 59,912</u>	<u>\$ 6,125</u>

472	473	474	475	476
Sorters Mill Elementary Campus Activity	Sixth Grade Campus Activity	District Wide Activity	Physical Education Activity	Porter High School Campus Activity
\$ 3,361	\$ 15,875	\$ 7,300	\$ 116,719	\$ 55,210
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 3,361</u>	<u>\$ 15,875</u>	<u>\$ 7,300</u>	<u>\$ 116,719</u>	<u>\$ 55,210</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
3,361	15,875	7,300	116,719	55,210
<u>3,361</u>	<u>15,875</u>	<u>7,300</u>	<u>116,719</u>	<u>55,210</u>
<u>\$ 3,361</u>	<u>\$ 15,875</u>	<u>\$ 7,300</u>	<u>\$ 116,719</u>	<u>\$ 55,210</u>

New Caney Independent School District
Combining Balance Sheet
Non-major Government Funds – Special Revenue Funds
August 31, 2018

		477	478	479
Data Control Codes		Oakley Elementary Campus Activity	Porter High School Athletic Activity	Woodridge Forest M.S. Activity
	ASSETS			
1110	Cash and cash equivalents	\$ 4,768	\$ 55,296	\$ 13,512
1120	Current investments	-	-	-
1240	Due from other governments	-	-	-
1300	Inventories	-	-	-
1000	TOTAL ASSETS	<u>\$ 4,768</u>	<u>\$ 55,296</u>	<u>\$ 13,512</u>
	LIABILITIES			
2160	Accrued wages payable	\$ -	\$ -	\$ -
2170	Due to other funds	-	-	-
2300	Unearned revenue	-	-	-
2000	Total liabilities	-	-	-
	FUND BALANCES			
3450	Restricted - grant funds	-	-	-
3545	Committed - other	4,768	55,296	13,512
3000	Total fund balances	<u>4,768</u>	<u>55,296</u>	<u>13,512</u>
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,768</u>	<u>\$ 55,296</u>	<u>\$ 13,512</u>

480	481	495	499	
Dogwood Elementary Campus Activity	Brookewood Forest Elementary Campus Activity	Education Foundation Grant	Locally Funded Special Revenue Fund	Total Nonmajor Funds (See Exhibit C-1)
\$ 1,955	\$ 2,232	\$ 1,906	\$ 9	\$ 1,329,784
-	-	-	-	705,505
-	-	-	-	2,416,890
-	-	-	-	98,920
<u>\$ 1,955</u>	<u>\$ 2,232</u>	<u>\$ 1,906</u>	<u>\$ 9</u>	<u>\$ 4,551,099</u>
\$ -	\$ -	\$ -	\$ -	\$ 439,720
-	-	-	-	1,827,172
-	-	-	-	118,721
-	-	-	-	2,385,613
-	-	-	-	1,678,856
1,955	2,232	1,906	9	486,630
<u>1,955</u>	<u>2,232</u>	<u>1,906</u>	<u>9</u>	<u>2,165,486</u>
<u>\$ 1,955</u>	<u>\$ 2,232</u>	<u>\$ 1,906</u>	<u>\$ 9</u>	<u>\$ 4,551,099</u>

New Caney Independent School District

Combining Statements of Revenues, Expenditures,
and Changes in Fund Balances

Non-major Government Funds – Special Revenue Funds - Continued

For the Fiscal Year Ended August 31, 2018

		210	211	212
Data Control Codes		Title I 1003 School Improvement	ESSA Title I Improving Basic Programs	Title-I Part C Migrant
REVENUES				
5700	Local and intermediate sources	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-
5900	Federal program revenues	49,996	2,296,754	5,706
5020	Total revenues	49,996	2,296,754	5,706
EXPENDITURES				
Current:				
0011	Instruction	25,033	1,061,296	-
0012	Instructional resources and media services	-	-	-
0013	Curriculum and instructional staff development	24,963	1,023,736	-
0021	Instructional leadership	-	-	1,763
0023	School leadership	-	16,246	-
0031	Guidance, counseling, and evaluation services	-	5,006	-
0032	Social work services	-	-	3,943
0033	Health services	-	-	-
0034	Student transportation	-	13,950	-
0035	Food services	-	-	-
0036	Extracurricular activities	-	-	-
0041	General administration	-	42,192	-
0052	Security and monitoring services	-	-	-
0061	Community services	-	134,328	-
Intergovernmental:				
0093	Payments related to shared services arrangements	-	-	-
6030	Total expenditures	49,996	2,296,754	5,706
1200	Net change in fund balances	-	-	-
0100	Fund balances - beginning	-	-	-
3000	FUND BALANCES - ENDING	\$ -	\$ -	\$ -

224	225	226	240	244
IDEA-B Formula	IDEA-B Preschool Grant	IDEA-B High Cost Funds	National School Breakfast/Lunch Program	Career and Technical - Basic Grant
\$ -	\$ -	\$ -	\$ 2,243,859	\$ -
-	-	-	259,376	-
2,171,799	6,850	35,473	6,878,266	171,322
2,171,799	6,850	35,473	9,381,501	171,322
1,436,024	6,850	35,473	-	160,223
-	-	-	-	-
11,294	-	-	-	11,099
-	-	-	-	-
120	-	-	-	-
568,177	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	8,942,292	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
2,184	-	-	-	-
154,000	-	-	-	-
2,171,799	6,850	35,473	8,942,292	171,322
-	-	-	439,209	-
-	-	-	1,239,647	-
\$ -	\$ -	\$ -	\$ 1,678,856	\$ -

New Caney Independent School District

Combining Statements of Revenues, Expenditures,
and Changes in Fund Balances

Non-major Government Funds – Special Revenue Funds - Continued

For the Fiscal Year Ended August 31, 2018

Data Control Codes	255	263	289
	ESSA Title II Training and Recruiting	Title III, English Language Acquisition and Enhancement	Other Federally Funded Grants
REVENUES			
5700	-	-	-
5800	-	-	-
5900	331,402	472,995	1,520,118
5020	331,402	472,995	1,520,118
EXPENDITURES			
Current:			
0011	-	340,848	1,478,325
0012	-	-	-
0013	322,582	117,707	41,793
0021	940	40	-
0023	2,258	-	-
0031	-	-	-
0032	-	-	-
0033	-	-	-
0034	-	-	-
0035	-	-	-
0036	-	-	-
0041	5,622	-	-
0052	-	-	-
0061	-	14,400	-
Intergovernmental:			
0093	-	-	-
6030	331,402	472,995	1,520,118
1200	-	-	-
0100	-	-	-
3000	\$ -	\$ -	\$ -

New Caney Independent School District

Combining Statements of Revenues, Expenditures,
and Changes in Fund Balances

Non-major Government Funds – Special Revenue Funds - Continued

For the Fiscal Year Ended August 31, 2018

Data Control Codes		461	462	463
		White Oak M.S. Activity	Keefer Crossing M.S. Campus Activity	Porter Elementary Campus Activity
REVENUES				
5700	Local and intermediate sources	\$ 31,247	\$ 40,878	\$ 64,300
5800	State program revenues	-	-	-
5900	Federal program revenues	-	-	-
5020	Total revenues	31,247	40,878	64,300
EXPENDITURES				
Current:				
0011	Instruction	11,512	20,202	21,561
0012	Instructional resources and media services	3,167	3,789	9,406
0013	Curriculum and instructional staff development	365	-	306
0021	Instructional leadership	-	-	-
0023	School leadership	65	9,785	9,913
0031	Guidance, counseling, and evaluation services	-	-	-
0032	Social work services	-	-	-
0033	Health services	-	50	-
0034	Student transportation	-	-	-
0035	Food services	-	-	-
0036	Extracurricular activities	3,550	10,662	19,960
0041	General administration	-	-	-
0052	Security and monitoring services	600	-	1,000
0061	Community services	-	-	-
Intergovernmental:				
0093	Payments related to shared services arrangements	-	-	-
6030	Total expenditures	19,259	44,488	62,146
1200	Net change in fund balances	11,988	(3,610)	2,154
0100	Fund balances - beginning	23,031	22,618	2,742
3000	FUND BALANCES - ENDING	<u>\$ 35,019</u>	<u>\$ 19,008</u>	<u>\$ 4,896</u>

464	465	466	467	468
New Caney Elementary Campus Activity	Aiken Elementary Campus Activity	Robert Crippen Elementary Campus Activity	Kings Manor Elementary Campus Activity	The Learning Center Campus Activity
\$ 43,312	\$ 48,529	\$ 49,040	\$ 65,892	\$ 2,869
-	-	-	-	-
-	-	-	-	-
43,312	48,529	49,040	65,892	2,869
10,080	17,266	27,270	10,098	-
8,247	7,595	4,694	9,328	-
110	-	-	1,408	-
-	-	-	-	-
8,576	14,733	4,534	10,626	5,450
-	-	-	-	1,116
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
14,491	14,644	16,789	19,008	-
-	-	-	-	-
72	-	-	1,100	-
-	-	-	-	-
-	-	-	-	-
41,576	54,238	53,287	51,568	6,566
1,736	(5,709)	(4,247)	14,324	(3,697)
1,426	15,419	6,596	843	13,686
\$ 3,162	\$ 9,710	\$ 2,349	\$ 15,167	\$ 9,989

New Caney Independent School District

Combining Statements of Revenues, Expenditures,
and Changes in Fund Balances

Non-major Government Funds – Special Revenue Funds - Continued

For the Fiscal Year Ended August 31, 2018

		469	470	471
Data Control Codes		Special Education Campus Activity	Bens Branch Elementary Campus Activity	Valley Ranch Elementary Campus Activity
REVENUES				
5700	Local and intermediate sources	\$ -	\$ 52,137	\$ 48,260
5800	State program revenues	-	-	-
5900	Federal program revenues	-	-	-
5020	Total revenues	-	52,137	48,260
EXPENDITURES				
Current:				
0011	Instruction	-	21,342	18,636
0012	Instructional resources and media services	-	14,910	13,048
0013	Curriculum and instructional staff development	-	-	33
0021	Instructional leadership	-	-	-
0023	School leadership	-	17,307	4,774
0031	Guidance, counseling, and evaluation services	-	-	-
0032	Social work services	-	-	-
0033	Health services	-	-	-
0034	Student transportation	-	-	-
0035	Food services	-	-	-
0036	Extracurricular activities	-	6,491	13,025
0041	General administration	-	-	-
0052	Security and monitoring services	-	1,000	-
0061	Community services	-	-	-
Intergovernmental:				
0093	Payments related to shared services arrangements	-	-	-
6030	Total expenditures	-	61,050	49,516
1200	Net change in fund balances	-	(8,913)	(1,256)
0100	Fund balances - beginning	167	68,825	7,381
3000	FUND BALANCES - ENDING	\$ 167	\$ 59,912	\$ 6,125

472	473	474	475	476
Sorters Mill Elementary Campus Activity	Sixth Grade Campus Activity	District Wide Activity	Physical Education Activity	Porter High School Campus Activity
\$ 43,057	\$ 25,439	\$ -	\$ 107,279	\$ 55,007
-	-	-	-	-
-	-	-	-	-
43,057	25,439	-	107,279	55,007
13,221	15,322	-	-	3,685
8,643	6,019	-	-	-
250	-	-	-	-
-	-	-	-	-
26,753	3,815	4,144	-	39,812
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	192
1,222	949	-	89,346	7,796
-	-	-	-	-
-	-	-	-	3,080
-	-	-	-	-
-	-	-	-	-
50,089	26,105	4,144	89,346	54,565
(7,032)	(666)	(4,144)	17,933	442
10,393	16,541	11,444	98,786	54,768
\$ 3,361	\$ 15,875	\$ 7,300	\$ 116,719	\$ 55,210

New Caney Independent School District

Combining Statements of Revenues, Expenditures,
and Changes in Fund Balances

Non-major Government Funds – Special Revenue Funds - Continued

For the Fiscal Year Ended August 31, 2018

		477	478	479
Data Control Codes		Oakley Elementary Campus Activity	Porter High School Athletic Activity	Woodridge Forest M.S. Activity
REVENUES				
5700	Local and intermediate sources	\$ 51,245	\$ 120,413	\$ 77,982
5800	State program revenues	-	-	-
5900	Federal program revenues	-	-	-
5020	Total revenues	51,245	120,413	77,982
EXPENDITURES				
Current:				
0011	Instruction	15,729	-	14,296
0012	Instructional resources and media services	16,283	-	19,803
0013	Curriculum and instructional staff development	6,641	-	530
0021	Instructional leadership	-	-	-
0023	School leadership	12,543	-	10,521
0031	Guidance, counseling, and evaluation services	-	-	-
0032	Social work services	-	-	-
0033	Health services	-	-	-
0034	Student transportation	-	-	-
0035	Food services	-	-	-
0036	Extracurricular activities	12,294	118,317	24,408
0041	General administration	-	-	-
0052	Security and monitoring services	-	-	-
0061	Community services	-	-	-
Intergovernmental:				
0093	Payments related to shared services arrangements	-	-	-
6030	Total expenditures	63,490	118,317	69,558
1200	Net change in fund balances	(12,245)	2,096	8,424
0100	Fund balances - beginning	17,013	53,200	5,088
3000	FUND BALANCES - ENDING	\$ 4,768	\$ 55,296	\$ 13,512

480	481	495	499	Total Nonmajor Funds (See Exhibit C-2)
Dogwood Elementary Campus Activity	Brookewood Forest Elementary Campus Activity	Education Foundation Grant	Locally Funded Special Revenue Fund	
\$ 41,748	\$ 5,000	\$ 113,314	\$ 8,826	\$ 3,408,276
-	-	-	-	1,793,616
-	-	-	-	13,940,681
41,748	5,000	113,314	8,826	19,142,573
11,185	-	92,994	8,817	6,412,954
5,774	-	6,226	-	138,793
-	-	-	-	1,567,340
-	-	-	-	2,743
20,590	2,768	3,484	-	270,247
-	-	10,124	-	585,483
-	-	-	-	3,943
-	-	-	-	50
-	-	-	-	13,950
-	-	-	-	8,942,484
3,157	-	-	-	392,617
-	-	-	-	47,814
-	-	-	-	6,852
-	-	-	-	150,912
-	-	-	-	154,000
40,706	2,768	112,828	8,817	18,690,182
1,042	2,232	486	9	452,391
913	-	1,420	-	1,713,095
\$ 1,955	\$ 2,232	\$ 1,906	\$ 9	\$ 2,165,486

New Caney Independent School District

Schedule of Delinquent Taxes Receivable

For the Fiscal Year Ended August 31, 2018

Year Ended August 31	Tax Rates		Assessed/Appraised Value For School Tax Purposes
	Maintenance	Debt Service	
2009 and Prior Years	\$ Various	\$ Various	\$ Various
2010	1.04	0.440	1,992,171,081
2011	1.04	0.500	2,019,501,299
2012	1.04	0.500	2,167,000,714
2013	1.04	0.500	2,310,948,896
2014	1.17	0.500	2,488,663,413
2015	1.17	0.500	2,733,588,922
2016	1.17	0.500	3,141,603,593
2017	1.17	0.500	3,528,444,491
2018 School year under audit	1.17	0.500	3,851,748,623

1000 TOTALS

9000 - Portion of row 1000 for taxes paid into tax increment zone under chapter 311, tax code

<u>Beginning Balance 8/31/17</u>	<u>Current Year's Total Levy</u>	<u>Maintenance Collections</u>	<u>Debt Service Collections</u>	<u>Entire Year's Adjustments</u>	<u>Ending Balance 8/31/18</u>
\$ 511,170	\$ -	\$ 19,833	\$ 7,629	\$ (100,758)	\$ 382,950
115,074	-	4,758	2,013	(2,453)	105,850
115,560	-	5,705	2,743	(659)	106,453
118,163	-	6,479	3,116	(1,235)	107,333
135,384	-	14,331	6,891	5,592	119,754
174,297	-	25,441	10,872	6,376	144,360
227,026	-	64,608	27,610	5,383	140,191
340,285	-	96,128	41,080	(8,101)	194,976
1,033,234	-	353,321	150,991	(146,481)	382,441
-	64,324,202	44,060,255	18,829,062	(412,010)	1,022,875
<u>\$ 2,770,193</u>	<u>\$ 64,324,202</u>	<u>\$ 44,650,859</u>	<u>\$ 19,082,007</u>	<u>\$ (654,346)</u>	<u>\$ 2,707,183</u>
		\$ -	\$ -		

New Caney Independent School District
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance – Budget and Actual
 National School Breakfast and Lunch Program
 For the Fiscal Year Ended August 31, 2018

Exhibit J-2

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
REVENUES					
5700	Local and intermediate sources	\$ 2,498,372	\$ 2,498,372	\$ 2,243,859	\$ (254,513)
5800	State program revenues	340,000	340,000	259,376	(80,624)
5900	Federal program revenues	6,846,570	6,846,570	6,878,266	31,696
5020	Total revenues	9,684,942	9,684,942	9,381,501	(303,441)
EXPENDITURES					
Current:					
0035	Food services	9,729,942	9,736,942	8,942,292	794,650
0051	Plant maintenance and operations	55,000	48,000	-	48,000
6030	Total expenditures	9,784,942	9,784,942	8,942,292	842,650
1200	Net change in fund balance	(100,000)	(100,000)	439,209	539,209
0100	Fund balance - beginning	1,239,647	1,239,647	1,239,647	-
3000	FUND BALANCE - ENDING	\$ 1,139,647	\$ 1,139,647	\$ 1,678,856	\$ 539,209

New Caney Independent School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance – Budget and Actual
Debt Service Fund
For the Fiscal Year Ended August 31, 2018

Exhibit J-3

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
REVENUES					
5700	Local and intermediate sources	\$ 19,095,623	\$ 19,100,792	\$ 19,498,309	\$ 397,517
5800	State program revenues	6,773,861	6,773,861	5,987,382	(786,479)
5020	Total revenues	25,869,484	25,874,653	25,485,691	(388,962)
EXPENDITURES					
Debt Service:					
0071	Principal on long-term debt	7,678,410	7,678,410	7,678,410	-
0072	Interest on long-term debt	18,856,270	18,856,270	18,700,409	155,861
0073	Issuance costs and fees	-	351,595	351,594	1
6030	Total expenditures	26,534,680	26,886,275	26,730,413	155,862
1100	Excess (deficiency) of revenues over (under) expenditures	(665,196)	(1,011,622)	(1,244,722)	(233,100)
OTHER FINANCING SOURCES (USES)					
7901	Issuance of refunding bonds	-	28,550,001	28,550,000	(1)
7916	Premium or discount on issuance of bonds	-	3,711,257	3,711,256	(1)
8940	Payment to bond refunding escrow agent	-	(31,914,832)	(31,914,832)	-
7080	Total other financing sources (uses)	-	346,426	346,424	(2)
1200	Net change in fund balance	(665,196)	(665,196)	(898,298)	(233,102)
0100	Fund balance - beginning	5,035,292	5,035,292	5,035,292	-
3000	FUND BALANCE - ENDING	\$ 4,370,096	\$ 4,370,096	\$ 4,136,994	\$ (233,102)

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Overall Compliance, Internal Control Section and Federal Awards

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

To the Board of Trustees of
New Caney Independent School District
New Caney, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of New Caney Independent School District (the District) as of and for the year ended August 31, 2018 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 14, 2019.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

The Board of Trustees of
New Caney Independent School District

Purpose of this Report

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

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas
January 14, 2019

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

The Board of Trustees of
New Caney Independent School District
New Caney, Texas

Report on Compliance for Each Major Federal Program

We have audited New Caney Independent School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2018.

Report on Internal Control over Compliance

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

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

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

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

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas
January 14, 2019

New Caney Independent School District

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended August 31, 2018

Section 1. Summary of Auditor's Results

Financial Statements

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

Federal Awards

- | | |
|---|---|
| 4. Internal control over major programs: | |
| a. Material weakness (es) identified? | No |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | None reported |
| 5. Type of auditor's report issued on compliance with major programs? | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? | No |
| 7. Identification of major programs | 84.010A ESSA Title I, Part A
84.938 Hurricane Recovery Grant |
| 8. Dollar threshold used to distinguish between Type A and Type B federal programs | \$750,000 |
| 9. Auditee qualified as a low-risk auditee | Yes |

Section 2. Financial Statement Findings

None reported

Section 3. Federal Award Findings and Questioned Costs

None reported

New Caney Independent School District
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended August 31, 2018

Prior Year Findings

None reported

New Caney Independent School District
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended August 31, 2018

Exhibit K-1

(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Federal CFDA Number	(2A) Pass-Through Entity Identifying Number	(3) Federal Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through State Department of Education:			
ESEA Title I, Part A - Improving Basic Programs	84.010A	18610101170908	\$ 2,296,754
Title I 1003 School Improvement	84.010A	18610123170908	49,996
Total 84.010A			2,346,750
Special Education Cluster (IDEA):			
IDEA - Part B, Formula	84.027A	186600011709086000	2,171,799
IDEA - Part B, Discretionary	84.027A	66001806	35,473
IDEA - Part B, Preschool	84.173A	186610011709086000	6,850
Total Special Education Cluster (IDEA)			2,214,122
Career and Technical - Basic Grant			
Career and Technical - Career Clusters	84.048A	18420006170908	100,812
	84.048A	1842055711027	70,510
Total 84.048A			171,322
Title III, Part A - English Language Acquisition and Language Enhancement	84.365A	18671001170908	472,995
Title IV, Part A, Subpart 1	84.424A	18680101170908	38,154
Summer School LEP	84.369A	69551702	17,120
ESEA Title II, Part A - Teacher and Principal Training and Recruiting	84.367A	18694501170908	331,402
EIA Hurricane Recovery	84.938C	51271901	1,460,589
Passed Through Nat. Institute For Excellence in Teaching:			
Support Effective Educator Development	84.367D	N/A*	4,255
Passed Through Region VI Education Service Center:			
Title I, Part C - Migrant	84.011A	18615001236950	5,706
TOTAL U.S. DEPARTMENT OF EDUCATION			7,062,415
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Child Nutrition Cluster:			
Passed Through State Department of Agriculture - Non-Cash Assistance:			
National School Lunch Program	10.555	00835	530,944
Passed Through State Department of Education - Cash Assistance:			
School Breakfast Program	10.553	71401801	1,521,216
National School Lunch Program	10.555	71301801	4,826,106
Total Child Nutrition Cluster			6,878,266
Passed Through Montgomery County, Texas:			
Forest Service Schools and Roads Cluter:			
Schools and Roads - Grants to States (Forests)	10.665	N/A	1,760
Schools and Roads - Grants to Counties (Minerals)	10.666	N/A	3,550
Total Forest Service Schools and Roads Cluter			5,310
TOTAL U.S. DEPARTMENT OF AGRICULTURE			6,883,576
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 13,945,991

* N/A indicates that a pass-through entity identifying number was not available from the pass-through grantor.

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

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New Caney Independent School District

Notes to the Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Single Audit Act Amendments of 1996 and *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 presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. National School Lunch Program non-cash commodities are recorded at their estimated market value at the time of donation. The District has elected not to use the 10% de minimis indirect cost rate as allowed under Uniform Guidance. Presented below is a reconciliation of federal revenues:

Total expenditures of federal awards per Exhibit K-1	\$ 13,945,991
General Fund - federal revenue	
SHARS	1,218,537
ROTC	112,484
MAC	13,834
	<hr/>
Total federal revenues per exhibit C-2	\$ 15,290,846

New Caney Independent School District
 Schedule of Required Responses to Selected
 School FIRST Indicators (Unaudited)
 For the Fiscal Year Ended August 31, 2018

Exhibit L-1

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 on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end?	\$ 1,697,803
SF11	Net pension assets (1920) at fiscal year-end.	\$ -
SF12	Net pension liabilities (2540) at fiscal year-end.	\$ 29,658,134