

New Caney Independent School District

Annual Financial Report

For the Fiscal Year Ended August 31, 2017

New Caney Independent School District
 Annual Financial Report
 For the Fiscal Year Ended August 31, 2017
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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 ✓ approved _____ disapproved for the fiscal year ended August 31, 2017 at a meeting of the Board of Trustees of such school district on the 18 day of December, 2017.

Elizabeth R. Harrell
Signature of Board Secretary

C. D. Macel
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

The Board of Trustees of
New Caney Independent School District
21580 Loop 494
New Caney, Texas 77357

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 year ended August 31, 2017, 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 New Caney Independent School District, as of August 31, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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 New Caney Independent School 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 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.

The Board of Trustees of
New Caney Independent School District

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2017 on our consideration of New Caney Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is 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 New Caney Independent School 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 New Caney Independent School District's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas
December 14, 2017

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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, 2017.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$937,149 (*net position*). Of this amount, \$5,330,235 (*unrestricted net position*) may be used to meet the District's ongoing obligations to students and creditors.
- The District's total net position decreased by \$3,207,924 from current operations.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$111,361,625, an increase of \$13,760,836 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$23,042,562, or 18 percent of total general fund expenditures.
- The District's total bonded debt increased by \$74,083,692 (20 percent) during the current fiscal year. The key factor in this increase was the issuance of capital-related 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.

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 38 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 35 governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this 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, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$937,149 at the close of the most recent fiscal year.

New Caney Independent School District's Net Position

	Governmental Activities					
	2017		2016		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Current and other assets	\$ 128,806,017	27	\$ 109,107,813	28	\$ 19,698,204	18
Capital assets	345,129,124	73	285,423,306	72	59,705,818	21
Total assets	473,935,141	100	394,531,119	100	79,404,022	
Total deferred outflows of resources	19,722,295	100	24,060,372	100	(4,338,077)	(18)
Other liabilities	15,526,299	3	9,609,597	2	5,916,702	62
Long-term liabilities outstanding	475,305,372	97	399,084,789	98	76,220,583	19
Total liabilities	490,831,671	100	408,694,386	100	82,137,285	
Total deferred inflows of resources	1,888,616	100	5,752,032	100	(3,863,416)	(67)
Net position:						
Net investment in capital assets	(8,079,032)	(862)	(106,423)	(3)	(7,972,609)	7,491
Restricted	3,685,946	393	2,600,558	63	1,085,388	42
Unrestricted	5,330,235	569	1,650,938	40	3,679,297	223
Total net position	\$ 937,149	100	\$ 4,145,073	100	\$ (3,207,924)	

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 \$3,685,946, or 393 percent of total net position.

Unrestricted net position of \$5,330,235 may be used to meet the District's ongoing obligations to students and creditors.

Governmental Activities. Governmental activities decreased the District's net position by \$3,207,924 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					
	2017		2016		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Revenue:						
Program revenues:						
Charges for services	\$ 4,009,811	2	\$ 3,747,000	2	\$ 262,811	7
Operating grants and contributions	26,732,661	16	29,082,154	18	(2,349,493)	(8)
General revenues:						
Property taxes, levied for general purpose	41,507,554	24	36,594,423	22	4,913,131	13
Property taxes, levied for debt service	17,796,195	10	15,650,583	9	2,145,612	14
Grants and contributions not restricted to specific programs	78,232,506	47	79,572,709	49	(1,340,203)	(2)
Investment earnings	920,017	1	299,123	-	620,894	208
Miscellaneous	338,504	-	233,306	-	105,198	45
Total revenues	<u>169,537,248</u>	<u>100</u>	<u>165,179,298</u>	<u>100</u>	<u>4,357,950</u>	
Expenses:						
Instruction	86,466,944	50	82,407,840	48	4,059,104	5
Instructional resources and media services	1,308,095	1	1,441,818	1	(133,723)	(9)
Curriculum and instructional staff development	4,767,661	3	4,667,858	3	99,803	2
Instructional leadership	1,374,059	1	1,258,696	1	115,363	9
School leadership	8,783,603	5	8,379,203	5	404,400	5
Guidance, counseling, and evaluation services	4,943,520	3	4,708,441	3	235,079	5
Social work services	16,562	-	3,700	-	12,862	348
Health services	1,252,532	1	1,201,490	1	51,042	4
Student transportation	6,818,771	4	6,312,794	4	505,977	8
Food services	8,419,371	5	7,927,832	5	491,539	6
Extracurricular activities	6,861,543	4	6,841,328	4	20,215	-
General administration	5,380,347	3	4,872,492	3	507,855	10
Plant maintenance and operations	13,101,947	8	12,483,923	8	618,024	5
Security and monitoring services	1,382,334	1	1,182,565	1	199,769	17
Data processing services	3,467,260	2	3,997,500	2	(530,240)	(13)
Community services	128,597	-	26,826	-	101,771	379
Interest on long-term debt	16,020,751	9	14,307,223	9	1,713,528	12
Issuance costs and fees	738,379	-	1,232,330	1	(493,951)	(40)
Facilities repair and maintenance	833,671	-	2,194,050	1	(1,360,379)	(62)
Payments related to shared services arrangements	154,000	-	165,000	-	(11,000)	(7)
Payments to juvenile justice alternative education programs	-	-	1,870	-	(1,870)	(100)
Other intergovernmental charges	525,225	-	445,793	-	79,432	18
Total expenses	<u>172,745,172</u>	<u>100</u>	<u>166,060,572</u>	<u>100</u>	<u>6,684,600</u>	
Change in net position	<u>(3,207,924)</u>		<u>(881,274)</u>		<u>(2,326,650)</u>	
Net position - beginning	<u>4,145,073</u>		<u>5,026,347</u>		<u>(881,274)</u>	
Net position - ending	<u>\$ 937,149</u>		<u>\$ 4,145,073</u>		<u>\$ (3,207,924)</u>	

The decrease in net position was primarily due to the increase in expenditures across most functions, most notably Instruction, which results from an overall growth due to increases in students and staff.

Revenues are generated primarily from two sources. Grants and contributions (program and general revenues totaling \$104,965,167) represent 63 percent of total revenues, and property taxes (\$59,303,749) represent 34 percent of total revenues. The remaining 3 percent is generated from investment earnings, charges for services, and miscellaneous revenues.

The primary functional expense of the District is instruction (\$86,466,944) which represents 50 percent of total expenses. The remaining functional categories of expenses are individually 10 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 \$111,361,625, an increase of \$13,760,836 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 \$23,042,562 and total fund balance was \$23,456,512. 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 18 percent of total general fund expenditures. The fund balance of the District's general fund decreased by \$770,087 during the current fiscal year. The fund balance of the general fund decreased primarily due to the District did not accrue August state revenue resulting from school closure due to Hurricane Harvey.

The debt service fund has a total fund balance of \$5,035,292, all of which is restricted for retirement of long-term debt. The net increase in fund balance during the current year in the debt service fund was \$85,315. The increase in fund balance was due primarily to the premium from the sale of bonds and the increase in property tax revenue exceeded the increase in debt service requirements.

The capital projects fund has a total fund balance of \$81,156,726, 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 \$14,193,951. The increase was due to proceeds from the issuance of school building bonds.

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, 2017, amounts to \$345,129,124 (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					
	2017		2016		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Land and improvements	\$ 28,232,772	8	\$ 22,022,591	8	\$ 6,210,181	28
Buildings and improvements	277,203,767	80	249,303,529	87	27,900,238	11
Furniture and equipment	6,073,239	2	6,344,434	2	(271,195)	(4)
Construction in progress	33,619,346	10	7,752,752	3	25,866,594	334
Totals	\$ 345,129,124	100	\$ 285,423,306	100	\$ 59,705,818	

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

- \$62,216,058 construction and renovations for various campuses and facilities.
- \$6,210,181 land for facilities.
- \$1,284,625 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 \$39,016,379.

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					
	2017		2016		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
General obligation bonds (net)	\$ 442,550,171	93	\$ 368,466,479	92	\$ 74,083,692	20
Net pension liability	32,755,201	7	30,618,310	8	2,136,891	7
Totals	\$ 475,305,372	100	\$ 399,084,789	100	\$ 76,220,583	

The District's bonded debt increased by \$74,083,692 (20 percent) during the current fiscal year. The key factor in this increase was the issuance of 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.

Economic Factors and Next Year's Budgets and Rates

- Current enrollment totals 15,086 students, which is an increase from the prior year.
- District staff totals 2,471 employees, which includes of 1,036 teachers and 251 teachers' aides and secretaries, and 276 substitute employees.
- The District maintains 17 campuses for instruction and The Learning Center.
- The unemployment rate for the County is currently 4.5 percent, which is a decrease from a rate of 5.5 percent a year ago. This compares to the state's average unemployment rate of 4.5 percent, which is a decrease from a rate of 5.0 percent a year ago.
- Property values of the District are projected to increase for the 2017-2018 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 2017-2018, 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 decreased to \$23,456,512, 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.

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Basic Financial Statements

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New Caney Independent School District
Statement of Net Position
August 31, 2017

Exhibit A-1

<u>Data Control Codes</u>		<u>1 Primary Government Governmental Activities</u>
ASSETS		
1110	Cash and cash equivalents	\$ 6,289,824
1120	Current investments	118,193,392
1220	Property taxes receivables	2,770,193
1230	Allowance for uncollectible taxes	(55,000)
1240	Due from other governments	1,365,518
1290	Other receivables	5,083
1300	Inventories	132,299
1410	Prepaid items	104,708
	Capital assets:	
1510	Land and improvements	28,232,772
1520	Buildings and improvements (net)	277,203,767
1530	Furniture and equipment (net)	6,073,239
1580	Construction in progress	33,619,346
1000	Total assets	<u>473,935,141</u>
DEFERRED OUTFLOWS OF RESOURCES		
1705	Deferred outflows - pension	14,135,069
1710	Deferred charge of refunding	5,587,226
1700	Total deferred outflows of resources	<u>19,722,295</u>
LIABILITIES		
2110	Accounts payable	7,828,729
2140	Interest payable	797,100
2150	Payroll deductions and withholdings	18,613
2160	Accrued wages payable	6,737,742
2180	Due to other governments	100,195
2190	Due to student groups	14,102
2300	Unearned revenue	29,818
	Noncurrent liabilities:	
2501	Due within one year	7,573,410
2502	Due in more than one year	434,976,761
2540	Net pension liabilities	32,755,201
2000	Total liabilities	<u>490,831,671</u>
DEFERRED INFLOWS OF RESOURCES		
2605	Deferred inflows - pension	1,888,616
2600	Total deferred inflows of resources	<u>1,888,616</u>
NET POSITION		
3200	Net investment in capital assets	(8,079,032)
3820	Restricted for grants	1,239,647
3850	Restricted for debt service	2,446,299
3900	Unrestricted	5,330,235
3000	TOTAL NET POSITION	<u>\$ 937,149</u>

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

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New Caney Independent School District
 Statements of Activities
 For the Fiscal Year Ended August 31, 2017

Exhibit B-1

Data Control Codes	Functions/Programs	1 Expenses	3		4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position	
			Program Revenues				Governmental Activities
			Charges for Services				
PRIMARY GOVERNMENT:							
Governmental activities:							
0011	Instruction	\$ 86,466,944	\$ 351,086	\$ 8,386,040	\$ (77,729,818)		
0012	Instructional resources and media services	1,308,095	112,286	38,227	(1,157,582)		
0013	Curriculum and instructional staff development	4,767,661	6,415	1,958,650	(2,802,596)		
0021	Instructional leadership	1,374,059	735	97,088	(1,276,236)		
0023	School leadership	8,783,603	218,168	466,120	(8,099,315)		
0031	Guidance, counseling, and evaluation services	4,943,520	1,852	740,246	(4,201,422)		
0032	Social work services	16,562	-	14,369	(2,193)		
0033	Health services	1,252,532	-	58,264	(1,194,268)		
0034	Student transportation	6,818,771	33,507	207,213	(6,578,051)		
0035	Food services	8,419,371	2,347,340	6,160,536	88,505		
0036	Extracurricular activities	6,861,543	924,558	185,534	(5,751,451)		
0041	General administration	5,380,347	-	371,985	(5,008,362)		
0051	Plant maintenance and operations	13,101,947	2,148	244,917	(12,854,882)		
0052	Security and monitoring services	1,382,334	11,716	40,267	(1,330,351)		
0053	Data processing services	3,467,260	-	83,235	(3,384,025)		
0061	Community services	128,597	-	125,529	(3,068)		
0072	Interest on long-term debt	16,020,751	-	7,374,471	(8,646,280)		
0073	Issuance costs and fees	738,379	-	-	(738,379)		
0081	Facilities repair and maintenance	833,671	-	25,970	(807,701)		
0093	Payments related to shared services arrangements	154,000	-	154,000	-		
0099	Other intergovernmental charges	525,225	-	-	(525,225)		
TG	Total governmental activities	<u>172,745,172</u>	<u>4,009,811</u>	<u>26,732,661</u>	<u>(142,002,700)</u>		
TP	TOTAL PRIMARY GOVERNMENT	<u>\$ 172,745,172</u>	<u>\$ 4,009,811</u>	<u>\$ 26,732,661</u>	<u>(142,002,700)</u>		
General revenues:							
MT	Property taxes, levied for general purposes				41,507,554		
DT	Property taxes, levied for debt services				17,796,195		
GC	Grants and contributions not restricted to specific programs				78,232,506		
IE	Investment earnings				920,017		
MI	Miscellaneous				338,504		
TR	Total general revenues				<u>138,794,776</u>		
CN	Change in net position				(3,207,924)		
NB	Net position - beginning				<u>4,145,073</u>		
NE	NET POSITION - ENDING				<u>\$ 937,149</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, 2017

Data Control Codes		199	599
		General Fund	Debt Service Fund
ASSETS			
1110	Cash and cash equivalents	\$ 2,263,416	\$ 1,045,291
1120	Current investments	25,597,123	3,925,976
1220	Property taxes receivable	1,948,023	822,170
1230	Allowance for uncollectible taxes	(39,000)	(16,000)
1240	Due from other governments	828,773	-
1260	Due from other funds	1,462,481	152,670
1290	Other receivables	5,083	-
1300	Inventories	9,242	-
1410	Prepaid items	104,708	-
1000	Total assets	<u>32,179,849</u>	<u>5,930,107</u>
1000a	TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 32,179,849</u>	<u>\$ 5,930,107</u>
LIABILITIES			
2110	Accounts payable	\$ 271,828	\$ -
2150	Payroll deductions and withholdings	18,613	-
2160	Accrued wages payable	6,419,714	-
2170	Due to other funds	88,560	-
2180	Due to other governments	-	88,645
2190	Due to student groups	14,102	-
2300	Unearned revenue	1,497	-
2000	Total liabilities	<u>6,814,314</u>	<u>88,645</u>
DEFERRED INFLOWS OF RESOURCES			
2600	Unavailable revenue - property taxes	1,909,023	806,170
	Total deferred inflows of resources	<u>1,909,023</u>	<u>806,170</u>
FUND BALANCES			
3410	Nonspendable - inventories	9,242	-
3430	Nonspendable - prepaid items	104,708	-
3450	Restricted - grant funds	-	-
3470	Restricted - capital acquisitions and contractual obligations	-	-
3480	Restricted - debt service	-	5,035,292
3545	Committed - other	-	-
3570	Assigned - capital expenditures	300,000	-
3600	Unassigned	23,042,562	-
3000	Total fund balances	<u>23,456,512</u>	<u>5,035,292</u>
4000	TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 32,179,849</u>	<u>\$ 5,930,107</u>

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

Exhibit C-1

699	Total	98
Capital Projects Funds	Nonmajor Funds	Total Governmental Funds
\$ 1,966,917	\$ 1,014,200	\$ 6,289,824
86,834,370	1,835,923	118,193,392
-	-	2,770,193
-	-	(55,000)
-	536,745	1,365,518
-	1,329	1,616,480
-	-	5,083
-	123,057	132,299
-	-	104,708
<u>88,801,287</u>	<u>3,511,254</u>	<u>130,422,497</u>
<u>\$ 88,801,287</u>	<u>\$ 3,511,254</u>	<u>\$ 130,422,497</u>
\$ 7,548,981	\$ 7,920	\$ 7,828,729
-	-	18,613
17,983	300,045	6,737,742
77,597	1,450,323	1,616,480
-	11,550	100,195
-	-	14,102
-	28,321	29,818
<u>7,644,561</u>	<u>1,798,159</u>	<u>16,345,679</u>
-	-	2,715,193
-	-	2,715,193
-	-	9,242
-	-	104,708
-	1,239,647	1,239,647
81,156,726	-	81,156,726
-	-	5,035,292
-	473,448	473,448
-	-	300,000
-	-	23,042,562
<u>81,156,726</u>	<u>1,713,095</u>	<u>111,361,625</u>
<u>\$ 88,801,287</u>	<u>\$ 3,511,254</u>	<u>\$ 130,422,497</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, 2017

Exhibit C1-R

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-1) \$ 111,361,625

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	\$ 454,449,818	
Accumulated depreciation of governmental capital assets	<u>(109,320,694)</u>	345,129,124

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.		2,715,193
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Long-term liabilities, including bonds payable and net pension 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	\$ (411,228,762)	
Premium on bonds payable	(28,987,120)	
Discount on bonds payable	263,774	
Accreted interest	(2,598,063)	
Accrued interest on the bonds	(797,100)	
Net pension liability	<u>(32,755,201)</u>	(476,102,472)

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.		5,587,226
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Deferred outflows 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.		14,135,069
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Deferred inflows 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.		<u>(1,888,616)</u>
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TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES (EXHIBIT A-1) \$ 937,149

New Caney Independent School District
Statement of Revenues, Expenditures, and Changes
in Fund Balances – Governmental Funds
For the Fiscal Year Ended August 31, 2017

Data Control Codes	199	599
	General Fund	Debt Service Fund
REVENUES		
5700 Local and intermediate sources	\$ 42,977,335	\$ 17,904,331
5800 State program revenues	82,434,407	7,374,471
5900 Federal program revenues	1,195,137	-
5020 Total revenues	<u>126,606,879</u>	<u>25,278,802</u>
EXPENDITURES		
Current:		
0011 Instruction	72,282,641	-
0012 Instructional resources and media services	1,165,144	-
0013 Curriculum and instructional staff development	2,799,283	-
0021 Instructional leadership	1,318,951	-
0023 School leadership	8,382,006	-
0031 Guidance, counseling, and evaluation services	4,327,325	-
0032 Social work services	1,588	-
0033 Health services	1,231,645	-
0034 Student transportation	7,115,152	-
0035 Food services	-	-
0036 Extracurricular activities	5,207,250	-
0041 General administration	5,295,034	-
0051 Plant maintenance and operations	13,044,762	-
0052 Security and monitoring services	1,380,984	-
0053 Data processing services	3,299,887	-
0061 Community services	89	-
Debt service:		
0071 Principal on long-term debt	-	7,712,883
0072 Interest on long-term debt	-	17,473,539
0073 Issuance costs and fees	-	738,379
Capital outlay:		
0081 Facilities acquisition and construction	-	-
Intergovernmental:		
0093 Payments related to shared services arrangements	-	-
0099 Other intergovernmental charges	525,225	-
6030 Total expenditures	<u>127,376,966</u>	<u>25,924,801</u>
1100 Excess (deficiency) of revenues over (under) expenditures	<u>(770,087)</u>	<u>(645,999)</u>
OTHER FINANCING SOURCES (USES)		
7911 Issuance of capital-related bonds	-	-
7916 Premium or discount on issuance of bonds	-	731,314
7080 Total other financing sources (uses)	<u>-</u>	<u>731,314</u>
1200 Net change in fund balances	(770,087)	85,315
0100 Fund balances - beginning	<u>24,226,599</u>	<u>4,949,977</u>
3000 FUND BALANCES - ENDING	<u>\$ 23,456,512</u>	<u>\$ 5,035,292</u>

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

699	Total	98
Capital Projects Funds	Nonmajor Funds	Total Governmental Funds
\$ 492,125	\$ 3,468,661	\$ 64,842,452
22,015	1,460,473	91,291,366
-	11,226,166	12,421,303
<u>514,140</u>	<u>16,155,300</u>	<u>168,555,121</u>
-	4,550,981	76,833,622
-	110,195	1,275,339
-	1,708,200	4,507,483
-	20,530	1,339,481
-	256,274	8,638,280
-	484,448	4,811,773
-	12,924	14,512
-	247	1,231,892
-	10,008	7,125,160
-	8,087,906	8,087,906
-	365,104	5,572,354
-	12,742	5,307,776
-	2,764	13,047,526
-	8,910	1,389,894
-	-	3,299,887
-	118,410	118,499
-	-	7,712,883
-	-	17,473,539
-	-	738,379
69,320,189	-	69,320,189
-	154,000	154,000
-	-	525,225
<u>69,320,189</u>	<u>15,903,643</u>	<u>238,525,599</u>
<u>(68,806,049)</u>	<u>251,657</u>	<u>(69,970,478)</u>
73,895,000	-	73,895,000
9,105,000	-	9,836,314
<u>83,000,000</u>	<u>-</u>	<u>83,731,314</u>
14,193,951	251,657	13,760,836
<u>66,962,775</u>	<u>1,461,438</u>	<u>97,600,789</u>
<u>\$ 81,156,726</u>	<u>\$ 1,713,095</u>	<u>\$ 111,361,625</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, 2017

Exhibit C-3

TOTAL NET CHANGES IN FUND BALANCES - GOVERNMENTAL (EXHIBIT C-2) \$ 13,760,836

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	\$ 70,034,812	
Depreciation expense	<u>(10,328,994)</u>	59,705,818

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. 169,453

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	\$ (73,895,000)	
(Premium) discount	<u>(9,836,314)</u>	(83,731,314)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 7,712,883

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	\$ (148,787)	
Interest accreted on the capital appreciation bonds	(196,599)	
Accreted interest paid	972,118	
Amortization of bond premium and discount	1,159,220	
Amortization of deferred charge on refunding	<u>(333,164)</u>	1,452,788

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)	\$ (4,004,913)	
Deferred inflows (increased) decreased	3,863,416	
Net pension liability (increased) decreased	<u>(2,136,891)</u>	<u>(2,278,388)</u>

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES (EXHIBIT B-1) \$ (3,207,924)

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, 2017

Exhibit E-1

<u>Data Control Codes</u>		<u>Agency Fund Student Activity</u>
	ASSETS	
1110	Cash and cash equivalents	\$ 415,755
1000	TOTAL ASSETS	<u>\$ 415,755</u>
	LIABILITIES	
2110	Accounts payable	\$ 2,699
2190	Due to student groups	<u>413,056</u>
2000	TOTAL LIABILITIES	<u>\$ 415,755</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 nonfiduciary activities of the primary government (the District). All fiduciary activities are reported only in the fund financial statements. *Governmental activities* normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions.

B. Reporting Entity

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

C. Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. 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 nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

The *general fund* is the 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. 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.

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.

New Caney Independent School District

Notes to the Financial Statements

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

1. Cash and Cash Equivalents

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

2. Deposits and 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.

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.

New Caney Independent School District

Notes to the Financial Statements

The components of the deferred outflows of resources and deferred inflows of resources in the government-wide and fund level financial statements are as follows:

	Statement of	Balance Sheet - Governmental Funds	
	Net Position	General	Debt Service
	Governmental	Fund	Fund
	Activities		
Deferred outflows of resources:			
Deferred outflows from pension activities	\$ 11,095,093	\$ -	\$ -
Deferred contributions after the measurement date	3,039,976	-	-
Deferred charge on refunding	5,587,226	-	-
Total deferred outflows of resources	\$ 19,722,295	\$ -	\$ -
Deferred inflows of resources:			
Deferred inflows from pension activities	\$ 1,888,616	\$ -	\$ -
Unavailable property taxes	-	1,909,023	806,170
Total deferred inflows of resources	\$ 1,888,616	\$ 1,909,023	\$ 806,170

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension activities are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan, except for projected and actual earnings differences on investments which are amortized on a closed basis over a 5-year period.
- District contributions after the measurement date are recognized in the subsequent 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. 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.

7. 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.

New Caney Independent School District

Notes to the Financial Statements

8. Fund Balance Policies

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

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

9. Pension

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting (see Note 4.C. and the Required Supplementary Information section immediately following the Notes to the Financial Statements), regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The District recognizes a net pension liability for the qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, or the District's proportionate share thereof in the case of a cost-sharing multiple-employer plan, measured as of the respective pensions' fiscal year-end. Changes in the net pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

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

New Caney Independent School District

Notes to the Financial Statements

G. Revenues and Expenditures/Expenses

1. *Program Revenues*

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

2. *Property Taxes*

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

3. *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.

4. *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.

5. *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 data base 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. There were no significant differences between the original and final budget of the general fund.

B. Encumbrances

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as restricted, committed, or assigned fund balances as appropriate. The encumbrances do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. The District's outstanding encumbrances at August 31, 2017 total \$39,016,379 which are included in restricted capital projects fund balance.

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.

New Caney Independent School District

Notes to the Financial Statements

Investments

The District's investment policy is in accordance with the Public Funds Investment Act, the Public Funds Collateral Act, and federal and state laws. State law and District policy limits credit risk by allowing investing in 1) Obligations of the United States or its agencies which are backed by the full faith and credit of the United States, obligations of the State of Texas or its agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized statistical rating organization (NRSRO) not less than A or its equivalent; 2) Certificates of deposit issued by a depository located in Texas which is insured by the FDIC or purchased through a broker who has an office located in Texas; 3) 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) Bankers acceptances with a stated maturity of 270 days or fewer which are eligible for collateral for borrowing from a Federal Reserve Bank; 5) No-load money market mutual funds which shall be registered with the Securities and Exchange Commission which have an average weighted maturity of less than two years, investments comply with the Public Funds Investment Act and are continuously rated not less than AAA by at least one NRSRO; 6) A guaranteed investment contract (for bond proceeds only) which meets the criteria and eligibility requirements established by the Public Funds Investment Act; 7) Public funds investment pools which meets the requirements of the Public Funds Investment Act; 8) Commercial paper is an authorized investment if it has stated maturity of 271 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; 9) Securities lending program permitted by Government Code 2256.0015.

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

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

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

New Caney Independent School District

Notes to the Financial Statements

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:

	August 31, 2017	Fair Value Measurement Using			Percent of Total Investments	Weighted Average Maturity (Days)	Moody's / S&P Rating
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)			
Investments measured at amortized cost:							
Investment pools							
Texpool - LGIP	\$ 101,954,509	\$ -	\$ -	\$ -	86%	30	AAAm
Lone Star Overnight	11,332,781	-	-	-	10%	22	AAA
Investments measured at fair value:							
Wells Fargo money market mutual funds	3,159,056	3,159,056	-	-	3%	31	AAAm/Aaa-mf
Certificates of deposit	1,747,046	-	1,747,046	-	1%	329	Not Rated*
Total	\$ 118,193,392	\$ 3,159,056	\$ 1,747,046	\$ -	100%		
Portfolio weighted average maturity						34	

*Certificates are insured or collateralized

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 not required to be reported by levels in the table above.

Certificates of deposit that are non-negotiable are reported at costs; whereas, certificates of deposit that are brokered are reported at fair value. Certificates of deposit classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

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 2017, the District invested in certificates of deposit, 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 District also invests in certificates of deposit which are insured or collateralized. 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, 2017, the District's bank balance of \$7,713,507 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	\$ 18,000
Change in uncollectibles related to Debt Service property taxes	6,000
Total change in uncollectibles of the current fiscal year	\$ 24,000

Approximately 66% of the outstanding balance of property taxes receivable is not anticipated to be collected within the next year.

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, 2017, was as follows:

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 1,462,481	\$ 88,560
Debt Service Fund	152,670	-
Capital Projects Funds	-	77,597
Other governmental funds - nonmajor	1,329	1,450,323
Totals	\$ 1,616,480	\$ 1,616,480

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 nonmajor governmental funds.

2. Transfers

There were no interfund transfers between the various funds at August 31, 2017.

D. Capital Assets

Capital asset activity for the fiscal year ended August 31, 2017 was as follows:

	Beginning Balance	Additions	Reductions and Adjustments	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land and improvements	\$ 22,022,591	\$ 6,210,181	\$ -	\$ -	\$ 28,232,772
Construction in progress	7,752,752	59,445,576	-	(33,578,982)	33,619,346
Total capital assets, not being depreciated	29,775,343	65,655,757	-	(33,578,982)	61,852,118
Capital assets, being depreciated:					
Buildings and improvements	338,624,540	2,770,482	-	33,578,982	374,974,004
Furniture and equipment	16,201,320	1,608,573	(186,197)	-	17,623,696
Total capital assets, being depreciated	354,825,860	4,379,055	(186,197)	33,578,982	392,597,700
Less accumulated depreciation for:					
Buildings and improvements	(89,321,011)	(8,449,226)	-	-	(97,770,237)
Furniture and equipment	(9,856,886)	(1,879,768)	186,197	-	(11,550,457)
Total accumulated depreciation	(99,177,897)	(10,328,994)	186,197	-	(109,320,694)
Total capital assets, being depreciated, net	255,647,963	(5,949,939)	-	33,578,982	283,277,006
Governmental activities capital assets, net	\$285,423,306	\$ 59,705,818	\$ -	\$ -	\$345,129,124

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	\$ 7,493,948
12 Instructional resources and media services	40,742
13 Curriculum and instructional staff development	32,273
21 Instructional leadership	506
23 School leadership	15,721
31 Guidance, counseling, and evaluation services	8,348
33 Health services	6,980
34 Student (pupil) transportation	885,642
35 Food services	90,458
36 Extracurricular activities	1,219,298
41 General administration	53,397
51 Plant maintenance and operations	244,540
52 Security and monitoring services	60,841
53 Data processing	176,300
Total depreciation expense-governmental activities	<u>\$10,328,994</u>

Construction Commitments

The District had active construction projects as of August 31, 2017. 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>
Aiken Elementary School	\$ 1,000
Brookwood Elementary School	12,529,609
District Aquatic Center	1,365,318
Early College High School	3,499,110
Kings Manor Elementary School	110,720
New Caney High School	11,659,593
New Caney Middle School	8,708,200
White Oak Middle School	1,142,829
Totals	<u>\$39,016,379</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 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, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 345,046,645	\$ 73,895,000	\$ (7,712,883)	\$ 411,228,762	\$ 7,573,410
Deferred amounts:					
For issuance premiums	20,322,146	9,836,314	(1,171,340)	28,987,120	-
For issuance discounts	(275,894)	-	12,120	(263,774)	-
For accreted interest (CAB's)	3,373,582	196,599	(972,118)	2,598,063	-
Total bonds payable, net	368,466,479	83,927,913	(9,844,221)	442,550,171	7,573,410
Net pension liability	30,618,310	4,896,422	(2,759,531)	32,755,201	-
Governmental activities long-term liabilities	\$ 399,084,789	\$ 88,824,335	\$ (12,603,752)	\$ 475,305,372	\$ 7,573,410

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 14-30 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	\$ 691,645	\$ -	\$ (207,883)	\$ 483,762
2007A BLDG	4.25-5.25%	30,000,000	2/15/2037	745,000	-	(745,000)	-
2008 BLDG	3.50-5.00%	19,625,000	2/15/2038	8,140,000	-	(490,000)	7,650,000
2009 BLDG	4.0-5.0%	26,470,000	2/15/2039	24,665,000	-	(560,000)	24,105,000
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	1,835,000	-	(670,000)	1,165,000
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	3,160,000	-	(175,000)	2,985,000
2011 REF	2.0-4.0%	9,255,000	2/15/2033	8,280,000	-	(280,000)	8,000,000
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	15,970,000	-	(480,000)	15,490,000
2013 REF	3.25-6.25%	13,985,000	2/15/2035	13,270,000	-	(395,000)	12,875,000
2013 BLDG	3.00-5.00%	31,850,000	2/15/2042	30,805,000	-	(975,000)	29,830,000
2014 REF	2.00-4.00%	7,680,000	2/15/2033	6,910,000	-	(320,000)	6,590,000
2014 BLDG	2-4.25%	9,240,000	2/15/2042	6,165,000	-	(175,000)	5,990,000
2015 REF	2.00-5.00%	51,500,000	2/15/2037	51,500,000	-	(630,000)	50,870,000
2015 BLDG	2.00-5.00%	86,315,000	2/15/2045	85,425,000	-	(365,000)	85,060,000
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	8,605,000	-	(140,000)	8,465,000
2017 BLDG	2.00-5.00%	73,895,000	2/15/2047	-	73,895,000	(1,105,000)	72,790,000
Totals				\$345,046,645	\$ 73,895,000	\$ (7,712,883)	\$411,228,762

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
2018	\$ 7,573,410	\$ 17,913,680	\$ 25,487,090
2019	7,429,993	17,648,048	25,078,041
2020	7,450,359	17,346,573	24,796,932
2021	8,715,000	16,997,867	25,712,867
2022	9,105,000	16,611,956	25,716,956
2023	9,515,000	16,199,931	25,714,931
2024	9,945,000	15,767,891	25,712,891
2025	10,385,000	15,328,163	25,713,163
2026	10,845,000	14,867,675	25,712,675
2027	11,320,000	14,391,553	25,711,553
2028	11,800,000	13,913,106	25,713,106
2029	12,280,000	13,429,446	25,709,446
2030	12,785,000	12,926,197	25,711,197
2031	13,380,000	12,394,959	25,774,959
2032	13,960,000	11,812,562	25,772,562
2033	14,610,000	11,165,968	25,775,968
2034	15,180,000	10,475,466	25,655,466
2035	15,875,000	9,784,478	25,659,478
2036	16,425,000	9,078,381	25,503,381
2037	17,175,000	8,328,119	25,503,119
2038	17,810,000	7,546,957	25,356,957
2039	18,350,000	6,735,119	25,085,119
2040	17,330,000	5,929,050	23,259,050
2041	18,135,000	5,127,025	23,262,025
2042	18,975,000	4,287,350	23,262,350
2043	19,840,000	3,423,650	23,263,650
2044	20,725,000	2,535,550	23,260,550
2045	21,655,000	1,607,225	23,262,225
2046	11,045,000	856,625	11,901,625
2047	11,610,000	290,250	11,900,250
Totals	<u>\$ 411,228,762</u>	<u>\$ 314,720,820</u>	<u>\$ 725,949,582</u>

As of August 31, 2017, the District did not have any authorized but unissued bonds.

The District defeased certain bonds through the issuance of new bonds and placed the proceeds in an irrevocable trust to provide for all future debt service payments of the old bonds. Securities being utilized to repay the refinanced debt as it becomes due consist solely of U.S. government obligations. Accordingly, the trust account securities and the liability for the defeased bonds are not included in the Districts basic financial statements. At August 31, 2017, the following outstanding bonds are considered defeased:

2006 General Obligation Bonds (maturing 2020-2038, callable August 15, 2018)	<u>\$ 9,695,000</u>
Total	<u><u>\$ 9,695,000</u></u>

New Caney Independent School District

Notes to the Financial Statements

F. Fund Balance

Other committed fund balance includes the following commitments of funds:

Other governmental funds:	
Campus activity	\$ 473,448
Total other committed fund balance	<u><u>\$ 473,448</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	\$ 41,427,058	\$ 17,707,238	\$ -	\$ -	\$ 59,134,296
Investment income	223,610	197,093	492,125	7,189	920,017
Food sales	-	-	-	2,347,340	2,347,340
Other	1,326,667	-	-	1,114,132	2,440,799
Total	<u><u>\$ 42,977,335</u></u>	<u><u>\$ 17,904,331</u></u>	<u><u>\$ 492,125</u></u>	<u><u>\$ 3,468,661</u></u>	<u><u>\$ 64,842,452</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.

Health Care Coverage

During the year ended August 31, 2017, 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.

New Caney Independent School District

Notes to the Financial Statements

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, 2017, 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.

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.

New Caney Independent School District

Notes to the Financial Statements

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 2015 thru 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for Plan fiscal year 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017. Rates for such plan fiscal years are as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Member	7.7%	7.2%	6.7%
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 2017 are as follows:

District contributions	\$ 3,039,976
Member contributions	7,382,214
NECE On-behalf contributions (state)	4,631,012

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

New Caney Independent School District

Notes to the Financial Statements

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, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	August 31, 2016
Actuarial cost method	Individual entry age normal
Asset valuation method	Market value
Single discount rate	8.00%
Long-term expected investment rate of return	8.00%
Municipal bond rate*	N/A*
Last year ending August 31 in the 2016 to 2115 projection period (100 years)	2115
Inflation	2.50%
Salary increases including inflation	3.50% to 9.50%
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

*If a municipal bond rate was to be used, the rate would be 2.84% as of August 2016 (i.e. the weekly rate closest to but not later than the Measurement Date). The source of the rate is the Federal Reserve Statistical Release H.15, citing the Bond Buyer Index of general obligation bonds with 20 years to maturity and an average AA credit rating.

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.

New Caney Independent School District

Notes to the Financial Statements

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%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2016 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%
Totals	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-percentage-point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
TRS	\$ 47,226,798	\$ 32,755,201	\$ 17,539,456

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

At August 31, 2017, the District reported a liability of \$32,755,201 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District are as follows:

District's proportionate share of the net pension liability	\$ 32,755,201
State's proportionate share of the net pension liability associated with the district	52,456,045
Total	<u>\$ 85,211,246</u>

The net pension liability was measured as of August 31, 2016 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, 2015 through August 31, 2016.

At August 31, 2016, the employer's proportion of the net pension liability was .0866803% which was an increase of .0000623% from its proportion measured as of August 31, 2015.

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, 2017, the District recognized pension expense of \$7,722,075 and revenue of \$5,443,687 for support provided by the State.

New Caney Independent School District

Notes to the Financial Statements

At August 31, 2017, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 513,595	\$ 978,051
Changes of assumptions	998,320	907,931
Net difference between projected and actual earnings on pension plan investments	2,773,643	-
Changes in proportion and differences between district contributions and proportionate share of contributions (cost-sharing plan)	6,809,535	2,634
District contribution after measurement date	3,039,976	-
Totals	<u>\$ 14,135,069</u>	<u>\$ 1,888,616</u>

\$3,039,976 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, 2018. Other amounts reported as deferred outflows of resources (deferred inflows of resources) related to pensions will be recognized in pension expense as follows:

Year Ending August 31:	
2018	\$ 1,610,403
2019	1,610,403
2020	3,379,568
2021	1,474,473
2022	942,077
Thereafter	189,553
Total	<u>\$ 9,206,477</u>

D. School District Retiree Health Plan

Plan Description

The New Caney Independent School District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The Teacher Retirement System of Texas issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS website at www.trs.state.tx.us under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701.

New Caney Independent School District

Notes to the Financial Statements

Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are shown in the table below for fiscal years 2017-2015.

Contribution Rates

Year	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2017	0.65%	\$ 623,174	1.00%	\$ 908,305	0.55%	\$ 527,301
2016	0.65%	\$ 576,865	1.00%	\$ 841,102	0.55%	\$ 488,117
2015	0.65%	\$ 533,322	1.00%	\$ 776,562	0.55%	\$ 451,272

In addition, the State of Texas contributed \$304,967, \$357,237, and \$250,726 in 2017, 2016, and 2015, respectively, for on-behalf payments for Medicare Part D and Early Retiree Reinsurance Program.

For the current fiscal year and each of the past two years, the District’s actual contributions were equal to 100 percent of the required contributions. The contributions made by the State are on behalf of the District and have been recorded in the governmental funds’ financial statements of the District as both state revenues and expenditures. These contributions are the legal responsibility of the State.

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.

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, 2017

Exhibit G-1

Data Control Codes	Budgeted Amounts			Variance with Final Budget Positive (Negative)	
	Original	Final	Actual		
REVENUES:					
5700	Local and intermediate sources	\$ 41,597,240	\$ 42,402,558	\$ 42,977,335	574,777
5800	State program revenues	84,398,956	84,523,956	82,434,407	(2,089,549)
5900	Federal program revenues	985,000	985,000	1,195,137	210,137
5020	Total revenues	<u>126,981,196</u>	<u>127,911,514</u>	<u>126,606,879</u>	<u>(1,304,635)</u>
EXPENDITURES:					
Current:					
0011	Instruction	72,375,256	72,321,996	72,282,641	39,355
0012	Instructional resources and media services	1,275,200	1,214,947	1,165,144	49,803
0013	Curriculum and instructional staff development	2,993,227	2,903,174	2,799,283	103,891
0021	Instructional leadership	1,227,468	1,336,928	1,318,951	17,977
0023	School leadership	7,963,144	8,400,164	8,382,006	18,158
0031	Guidance, counseling, and evaluation services	4,423,616	4,420,435	4,327,325	93,110
0032	Social work services	2,430	2,430	1,588	842
0033	Health services	1,207,918	1,254,644	1,231,645	22,999
0034	Student transportation	7,176,444	7,118,862	7,115,152	3,710
0036	Extracurricular activities	5,228,946	5,281,746	5,207,250	74,496
0041	General administration	4,898,752	5,329,461	5,295,034	34,427
0051	Plant maintenance and operations	13,199,480	13,069,011	13,044,762	24,249
0052	Security and monitoring services	1,099,173	1,398,942	1,380,984	17,958
0053	Data processing services	3,307,642	3,338,274	3,299,887	38,387
0061	Community services	7,500	8,500	89	8,411
0095	Payments to juvenile justice alternative education programs	45,000	9,000	-	9,000
0099	Other intergovernmental charges	550,000	550,000	525,225	24,775
6030	Total expenditures	<u>126,981,196</u>	<u>127,958,514</u>	<u>127,376,966</u>	<u>581,548</u>
1200	Net change in fund balance	-	(47,000)	(770,087)	(723,087)
0100	Fund balance - beginning	<u>24,226,599</u>	<u>24,226,599</u>	<u>24,226,599</u>	-
3000	FUND BALANCE - ENDING	<u>\$ 24,226,599</u>	<u>\$ 24,179,599</u>	<u>\$ 23,456,512</u>	<u>\$ (723,087)</u>

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 Three Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.0866803%	0.086618%	0.0567278%
District's proportionate share of the net pension liability	\$ 32,755,201	\$ 30,618,310	\$ 15,152,779
State's proportionate share of the net pension liability associated with the District	<u>52,456,045</u>	<u>48,009,456</u>	<u>38,947,704</u>
TOTALS	<u>\$ 85,211,246</u>	<u>\$ 78,627,766</u>	<u>\$ 54,100,483</u>
District's covered payroll	\$ 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	36.91%	37.32%	20.42%
Plan fiduciary net position as a percentage of the total pension liability	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 Three Fiscal Years*

Exhibit G-3

	<u>2017</u>	<u>2016</u>	<u>2015</u>
TRS			
Contractually required contributions	\$ 3,039,976	\$ 2,753,835	\$ 2,564,563
Contributions in relation to the contractually required contributions	<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>	<u><u>\$ -</u></u>
District's covered payroll	\$ 95,872,906	\$ 88,748,492	\$ 82,049,484
Contributions as a percentage of covered payroll	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

Notes to the Required Supplementary Information

Note 1. Budget

A. Budgetary Information

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

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

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

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

B. Variances with Final Budget

The District's general fund budget differs from the original budget due to budget revisions that were made during the fiscal period: amendments approved shortly after the beginning of the new fiscal year period for amounts restricted, committed, or assigned in the prior year; amendments in early and late spring to revise estimates for local and state revenues based on the latest information on student attendance numbers and tax collections; and amendments during the year for unexpected occurrences.

The District's final general fund budget did not vary significantly from the original budget.

The District's final general fund budget did not vary significantly from actual expenditures.

C. Excess of Expenditures Over Appropriations

There were no excess of expenditures over appropriations in the General Fund.

New Caney Independent School District

Notes to the Required Supplementary Information

Note 2. Pension

TRS - Actuarial Assumptions for Contribution Rate

Actuarial Assumptions – The information presented in the following table was used in the actuarial valuation for determining the actuarially determined contribution rate. The assumptions are as follows:

Valuation date	August 31, 2016
Actuarial cost method	Ultimate entry age normal
Amortization method	Level percentage of payroll, floating
Remaining amortization period	33 Years
Asset valuation method	5 Year smoothed market
Actuarial assumptions:	
Inflation	2.50%
Salary increases	3.50% to 9.50% including inflation
Investment rate of return	8.00%
Ad hoc post-employment benefit changes	None
Benefit changes during the year	None

Supplementary Information

New Caney Independent School District
Combining Balance Sheet
Nonmajor Government Funds – Special Revenue Funds
August 31, 2017

		211	212
<u>Data Control Codes</u>		<u>ESEA Title I Improving Basic Programs</u>	<u>Title-I Part C Migrant</u>
ASSETS			
1110	Cash and cash equivalents	\$ -	\$ -
1120	Current investments	-	-
1240	Due from other governments	235,752	-
1260	Due from other funds	-	-
1300	Inventories	-	-
		<hr/>	<hr/>
1000	TOTAL ASSETS	<u>\$ 235,752</u>	<u>\$ -</u>
LIABILITIES			
2110	Accounts payable	\$ -	\$ -
2160	Accrued wages payable	60,914	-
2170	Due to other funds	174,838	-
2180	Due to other governments	-	-
2300	Unearned revenue	-	-
2000	Total liabilities	<u>235,752</u>	<u>-</u>
FUND BALANCES			
3450	Restricted - grant funds	-	-
3545	Committed - other	-	-
3000	Total fund balances	<u>-</u>	<u>-</u>
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 235,752</u>	<u>\$ -</u>

224	225	240	244	255	263
IDEA-B Formula	IDEA-B Preschool Grant	National School Breakfast/Lunch Program	Career and Technical - Basic Grant	ESEA Title II Training and Recruiting	Title III, English Language Acquisition and Enhancement
\$ -	\$ -	\$ 517,689	\$ -	\$ -	\$ -
-	-	1,830,488	-	-	-
210,239	510	-	3,291	25,969	34,286
-	-	-	-	-	-
-	-	123,057	-	-	-
<u>\$ 210,239</u>	<u>\$ 510</u>	<u>\$ 2,471,234</u>	<u>\$ 3,291</u>	<u>\$ 25,969</u>	<u>\$ 34,286</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
89,794	510	136,586	-	4,717	7,524
120,445	-	1,095,001	3,291	21,252	26,762
-	-	-	-	-	-
-	-	-	-	-	-
<u>210,239</u>	<u>510</u>	<u>1,231,587</u>	<u>3,291</u>	<u>25,969</u>	<u>34,286</u>
-	-	1,239,647	-	-	-
-	-	-	-	-	-
-	-	1,239,647	-	-	-
<u>\$ 210,239</u>	<u>\$ 510</u>	<u>\$ 2,471,234</u>	<u>\$ 3,291</u>	<u>\$ 25,969</u>	<u>\$ 34,286</u>

New Caney Independent School District

Combining Balance Sheet

Nonmajor Government Funds – Special Revenue Funds - Continued

August 31, 2017

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<u>Data Control Codes</u>		<u>Other Federally Funded Grants</u>
ASSETS		
1110	Cash and cash equivalents	\$ -
1120	Current investments	-
1240	Due from other governments	2,046
1260	Due from other funds	-
1300	Inventories	-
		<hr/>
1000	TOTAL ASSETS	\$ 2,046
 LIABILITIES		
2110	Accounts payable	\$ -
2160	Accrued wages payable	-
2170	Due to other funds	2,046
2180	Due to other governments	-
2300	Unearned revenue	-
2000	Total liabilities	<hr/> 2,046
 FUND BALANCES		
3450	Restricted - grant funds	-
3545	Committed - other	-
3000	Total fund balances	<hr/> -
		<hr/>
4000	TOTAL LIABILITIES AND FUND BALANCES	\$ 2,046

385	397	410	429	460	461
Supplemental Visually Impaired	Advanced Placement Incentives	State Textbook Fund	Other State Funded Grants	New Caney High School Campus Activity	White Oak M.S. Activity
\$ -	\$ 5,184	\$ 16,723	\$ -	\$ 35,048	\$ 23,152
-	-	-	-	5,435	-
-	-	-	24,652	-	-
-	-	-	-	1,329	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 5,184</u>	<u>\$ 16,723</u>	<u>\$ 24,652</u>	<u>\$ 41,812</u>	<u>\$ 23,152</u>
\$ -	\$ -	\$ -	\$ -	\$ 664	\$ 121
-	-	-	-	-	-
-	-	-	6,688	-	-
-	-	-	11,550	-	-
-	5,184	16,723	6,414	-	-
-	<u>5,184</u>	<u>16,723</u>	<u>24,652</u>	<u>664</u>	<u>121</u>
-	-	-	-	-	-
-	-	-	-	41,148	23,031
-	-	-	-	<u>41,148</u>	<u>23,031</u>
<u>\$ -</u>	<u>\$ 5,184</u>	<u>\$ 16,723</u>	<u>\$ 24,652</u>	<u>\$ 41,812</u>	<u>\$ 23,152</u>

New Caney Independent School District

Combining Balance Sheet

Nonmajor Government Funds – Special Revenue Funds- Continued

August 31, 2017

Data Control Codes		462	463
		Keefe Crossing M.S. Campus Activity	Porter Elementary Campus Activity
ASSETS			
1110	Cash and cash equivalents	\$ 24,601	\$ 5,010
1120	Current investments	-	-
1240	Due from other governments	-	-
1260	Due from other funds	-	-
1300	Inventories	-	-
1000	TOTAL ASSETS	<u>\$ 24,601</u>	<u>\$ 5,010</u>
LIABILITIES			
2110	Accounts payable	\$ 1,983	\$ 2,268
2160	Accrued wages payable	-	-
2170	Due to other funds	-	-
2180	Due to other governments	-	-
2300	Unearned revenue	-	-
2000	Total liabilities	<u>1,983</u>	<u>2,268</u>
FUND BALANCES			
3450	Restricted - grant funds	-	-
3545	Committed - other	22,618	2,742
3000	Total fund balances	<u>22,618</u>	<u>2,742</u>
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 24,601</u>	<u>\$ 5,010</u>

464	465	466	467	468	469
New Caney Elementary Campus Activity	Aiken Elementary Campus Activity	Robert Crippen Elementary Campus Activity	Kings Manor Elementary Campus Activity	The Learning Center Campus Activity	Special Education Campus Activity
\$ 1,450	\$ 15,419	\$ 7,148	\$ 843	\$ 13,686	\$ 167
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 1,450</u>	<u>\$ 15,419</u>	<u>\$ 7,148</u>	<u>\$ 843</u>	<u>\$ 13,686</u>	<u>\$ 167</u>
\$ 24	\$ -	\$ 552	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>24</u>	<u>-</u>	<u>552</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
1,426	15,419	6,596	843	13,686	167
<u>1,426</u>	<u>15,419</u>	<u>6,596</u>	<u>843</u>	<u>13,686</u>	<u>167</u>
<u>\$ 1,450</u>	<u>\$ 15,419</u>	<u>\$ 7,148</u>	<u>\$ 843</u>	<u>\$ 13,686</u>	<u>\$ 167</u>

New Caney Independent School District

Combining Balance Sheet

Nonmajor Government Funds – Special Revenue Funds- Continued

August 31, 2017

Data Control Codes		470	471
		Bens Branch Elementary Campus Activity	Valley Ranch Elementary Campus Activity
ASSETS			
1110	Cash and cash equivalents	\$ 68,825	\$ 7,479
1120	Current investments	-	-
1240	Due from other governments	-	-
1260	Due from other funds	-	-
1300	Inventories	-	-
1000	TOTAL ASSETS	<u>\$ 68,825</u>	<u>\$ 7,479</u>
LIABILITIES			
2110	Accounts payable	\$ -	\$ 98
2160	Accrued wages payable	-	-
2170	Due to other funds	-	-
2180	Due to other governments	-	-
2300	Unearned revenue	-	-
2000	Total liabilities	<u>-</u>	<u>98</u>
FUND BALANCES			
3450	Restricted - grant funds	-	-
3545	Committed - other	68,825	7,381
3000	Total fund balances	<u>68,825</u>	<u>7,381</u>
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 68,825</u>	<u>\$ 7,479</u>

472	473	474	475	476	477
Sorters Mill Elementary Campus Activity	Sixth Grade Campus Activity	District Wide Activity	Physical Education Activity	Porter High School Campus Activity	Oakley Elementary Campus Activity
\$ 10,393	\$ 16,541	\$ 11,444	\$ 98,786	\$ 54,768	\$ 17,013
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 10,393</u>	<u>\$ 16,541</u>	<u>\$ 11,444</u>	<u>\$ 98,786</u>	<u>\$ 54,768</u>	<u>\$ 17,013</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
10,393	16,541	11,444	98,786	54,768	17,013
<u>10,393</u>	<u>16,541</u>	<u>11,444</u>	<u>98,786</u>	<u>54,768</u>	<u>17,013</u>
<u>\$ 10,393</u>	<u>\$ 16,541</u>	<u>\$ 11,444</u>	<u>\$ 98,786</u>	<u>\$ 54,768</u>	<u>\$ 17,013</u>

New Caney Independent School District

Combining Balance Sheet

Nonmajor Government Funds – Special Revenue Funds- Continued

August 31, 2017

		478	479
Data Control Codes		Porter High School Athletic Activity	Woodridge Forest M.S. Activity
ASSETS			
1110	Cash and cash equivalents	\$ 53,335	\$ 7,163
1120	Current investments	-	-
1240	Due from other governments	-	-
1260	Due from other funds	-	-
1300	Inventories	-	-
1000	TOTAL ASSETS	<u>\$ 53,335</u>	<u>\$ 7,163</u>
LIABILITIES			
2110	Accounts payable	\$ 135	\$ 2,075
2160	Accrued wages payable	-	-
2170	Due to other funds	-	-
2180	Due to other governments	-	-
2300	Unearned revenue	-	-
2000	Total liabilities	<u>135</u>	<u>2,075</u>
FUND BALANCES			
3450	Restricted - grant funds	-	-
3545	Committed - other	53,200	5,088
3000	Total fund balances	<u>53,200</u>	<u>5,088</u>
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 53,335</u>	<u>\$ 7,163</u>

480

495

Dogwood Elementary Campus Activity	Education Foundation Grant	Total Nonmajor Funds (See Exhibit C-1)
\$ 913	\$ 1,420	\$ 1,014,200
-	-	1,835,923
-	-	536,745
-	-	1,329
-	-	123,057
<u>\$ 913</u>	<u>\$ 1,420</u>	<u>\$ 3,511,254</u>
\$ -	\$ -	\$ 7,920
-	-	300,045
-	-	1,450,323
-	-	11,550
-	-	28,321
<u>-</u>	<u>-</u>	<u>1,798,159</u>
-	-	1,239,647
913	1,420	473,448
<u>913</u>	<u>1,420</u>	<u>1,713,095</u>
<u>\$ 913</u>	<u>\$ 1,420</u>	<u>\$ 3,511,254</u>

New Caney Independent School District
Combining Statements of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Government Funds – Special Revenue Funds
For the Fiscal Year Ended August 31, 2017

<u>Data Control Codes</u>	211	212
	<u>ESEA Title I Improving Basic Programs</u>	<u>Title-I Part C Migrant</u>
REVENUES		
5700 Local and intermediate sources	\$ -	\$ -
5800 State program revenues	-	-
5900 Federal program revenues	2,096,768	39,561
5020 Total revenues	<u>2,096,768</u>	<u>39,561</u>
EXPENDITURES		
Current:		
0011 Instruction	1,158,802	23,201
0012 Instructional resources and media services	-	-
0013 Curriculum and instructional staff development	748,650	-
0021 Instructional leadership	15,558	3,280
0023 School leadership	19,344	-
0031 Guidance, counseling, and evaluation services	26,875	-
0032 Social work services	-	12,924
0033 Health services	-	-
0034 Student transportation	10,008	-
0035 Food services	-	-
0036 Extracurricular activities	-	-
0041 General administration	12,742	-
0051 Plant maintenance and operations	-	-
0052 Security and monitoring services	-	-
0061 Community services	104,789	156
Intergovernmental:		
0093 Payments related to shared services arrangements	-	-
6030 Total expenditures	<u>2,096,768</u>	<u>39,561</u>
1200 Net change in fund balances	-	-
0100 Fund balances - beginning	-	-
3000 FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ -</u>

224	225	240	244	255	263
IDEA-B Formula	IDEA-B Preschool Grant	National School Breakfast/Lunch Program	Career and Technical - Basic Grant	ESEA Title II Training and Recruiting	Title III, English Language Acquisition and Enhancement
\$ -	\$ -	\$ 2,354,495	\$ -	\$ -	\$ -
-	-	232,916	-	-	-
2,044,327	6,514	5,784,879	133,593	198,134	414,870
<u>2,044,327</u>	<u>6,514</u>	<u>8,372,290</u>	<u>133,593</u>	<u>198,134</u>	<u>414,870</u>
1,364,373	6,514	-	133,593	-	276,446
-	-	-	-	-	-
79,710	-	-	-	198,109	125,818
-	-	-	-	25	501
-	-	-	-	-	-
444,637	-	-	-	-	-
-	-	-	-	-	-
247	-	-	-	-	-
-	-	-	-	-	-
-	-	8,087,906	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,360	-	-	-	-	12,105
154,000	-	-	-	-	-
<u>2,044,327</u>	<u>6,514</u>	<u>8,087,906</u>	<u>133,593</u>	<u>198,134</u>	<u>414,870</u>
-	-	284,384	-	-	-
-	-	955,263	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,239,647</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

New Caney Independent School District

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

Nonmajor Government Funds – Special Revenue Funds- Continued
For the Fiscal Year Ended August 31, 2017

289

<u>Data Control Codes</u>		<u>Other Federally Funded Grants</u>
REVENUES		
5700	Local and intermediate sources	\$ -
5800	State program revenues	-
5900	Federal program revenues	507,520
5020	Total revenues	<u>507,520</u>
EXPENDITURES		
Current:		
0011	Instruction	23,014
0012	Instructional resources and media services	-
0013	Curriculum and instructional staff development	482,247
0021	Instructional leadership	-
0023	School leadership	2,259
0031	Guidance, counseling, and evaluation services	-
0032	Social work services	-
0033	Health services	-
0034	Student transportation	-
0035	Food services	-
0036	Extracurricular activities	-
0041	General administration	-
0051	Plant maintenance and operations	-
0052	Security and monitoring services	-
0061	Community services	-
Intergovernmental:		
0093	Payments related to shared services arrangements	-
6030	Total expenditures	<u>507,520</u>
1200	Net change in fund balances	-
0100	Fund balances - beginning	<u>-</u>
3000	FUND BALANCES - ENDING	<u>\$ -</u>

385	397	410	429	460	461
Supplemental Visually Impaired	Advanced Placement Incentives	State Textbook Fund	Other State Funded Grants	New Caney High School Campus Activity	White Oak M.S. Activity
\$ -	\$ -	\$ -	\$ -	\$ 71,521	\$ 37,029
14,522	10,794	917,448	284,793	-	-
-	-	-	-	-	-
<u>14,522</u>	<u>10,794</u>	<u>917,448</u>	<u>284,793</u>	<u>71,521</u>	<u>37,029</u>
12,518	-	867,650	259,678	12,409	28,988
-	-	-	-	3,479	3,922
2,004	10,794	29,428	25,115	222	-
-	-	-	-	-	-
-	-	10,000	-	44,882	565
-	-	10,370	-	1,552	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	11,886	320
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>14,522</u>	<u>10,794</u>	<u>917,448</u>	<u>284,793</u>	<u>74,430</u>	<u>33,795</u>
-	-	-	-	(2,909)	3,234
-	-	-	-	44,057	19,797
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,148</u>	<u>\$ 23,031</u>

New Caney Independent School District

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

Nonmajor Government Funds – Special Revenue Funds- Continued
For the Fiscal Year Ended August 31, 2017

<u>Data Control Codes</u>	462	463
	<u>Keefe Crossing M.S. Campus Activity</u>	<u>Porter Elementary Campus Activity</u>
REVENUES		
5700 Local and intermediate sources	\$ 45,606	\$ 57,378
5800 State program revenues	-	-
5900 Federal program revenues	-	-
5020 Total revenues	<u>45,606</u>	<u>57,378</u>
EXPENDITURES		
Current:		
0011 Instruction	26,584	27,177
0012 Instructional resources and media services	5,049	9,658
0013 Curriculum and instructional staff development	597	-
0021 Instructional leadership	-	-
0023 School leadership	3,256	22,573
0031 Guidance, counseling, and evaluation services	-	256
0032 Social work services	-	-
0033 Health services	-	-
0034 Student transportation	-	-
0035 Food services	-	-
0036 Extracurricular activities	8,556	10,912
0041 General administration	-	-
0051 Plant maintenance and operations	-	-
0052 Security and monitoring services	-	-
0061 Community services	-	-
Intergovernmental:		
0093 Payments related to shared services arrangements	-	-
6030 Total expenditures	<u>44,042</u>	<u>70,576</u>
1200 Net change in fund balances	1,564	(13,198)
0100 Fund balances - beginning	<u>21,054</u>	<u>15,940</u>
3000 FUND BALANCES - ENDING	<u>\$ 22,618</u>	<u>\$ 2,742</u>

464	465	466	467	468	469
New Caney Elementary Campus Activity	Aiken Elementary Campus Activity	Robert Crippen Elementary Campus Activity	Kings Manor Elementary Campus Activity	The Learning Center Campus Activity	Special Education Campus Activity
\$ 65,292	\$ 70,543	\$ 65,459	\$ 67,652	\$ 7,982	\$ 735
-	-	-	-	-	-
-	-	-	-	-	-
<u>65,292</u>	<u>70,543</u>	<u>65,459</u>	<u>67,652</u>	<u>7,982</u>	<u>735</u>
19,662	22,406	39,140	19,389	-	-
6,679	10,325	3,894	11,385	-	-
2,087	251	184	1,000	-	-
-	-	-	-	-	1,166
13,221	9,162	1,037	21,995	200	-
159	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
24,979	22,446	19,066	14,395	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,277	-	-	-	99	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>68,064</u>	<u>64,590</u>	<u>63,321</u>	<u>68,164</u>	<u>299</u>	<u>1,166</u>
(2,772)	5,953	2,138	(512)	7,683	(431)
4,198	9,466	4,458	1,355	6,003	598
<u>\$ 1,426</u>	<u>\$ 15,419</u>	<u>\$ 6,596</u>	<u>\$ 843</u>	<u>\$ 13,686</u>	<u>\$ 167</u>

New Caney Independent School District

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

Nonmajor Government Funds – Special Revenue Funds- Continued
For the Fiscal Year Ended August 31, 2017

<u>Data Control Codes</u>	470	471
	<u>Bens Branch Elementary Campus Activity</u>	<u>Valley Ranch Elementary Campus Activity</u>
REVENUES		
5700 Local and intermediate sources	\$ 77,002	\$ 72,824
5800 State program revenues	-	-
5900 Federal program revenues	-	-
5020 Total revenues	<u>77,002</u>	<u>72,824</u>
EXPENDITURES		
Current:		
0011 Instruction	22,656	30,313
0012 Instructional resources and media services	13,754	10,834
0013 Curriculum and instructional staff development	349	423
0021 Instructional leadership	-	-
0023 School leadership	6,158	5,315
0031 Guidance, counseling, and evaluation services	-	-
0032 Social work services	-	-
0033 Health services	-	-
0034 Student transportation	-	-
0035 Food services	-	-
0036 Extracurricular activities	15,816	12,109
0041 General administration	-	-
0051 Plant maintenance and operations	-	-
0052 Security and monitoring services	-	-
0061 Community services	-	-
Intergovernmental:		
0093 Payments related to shared services arrangements	-	-
6030 Total expenditures	<u>58,733</u>	<u>58,994</u>
1200 Net change in fund balances	18,269	13,830
0100 Fund balances - beginning	<u>50,556</u>	<u>(6,449)</u>
3000 FUND BALANCES - ENDING	<u>\$ 68,825</u>	<u>\$ 7,381</u>

472	473	474	475	476	477
Sorters Mill Elementary Campus Activity	Sixth Grade Campus Activity	District Wide Activity	Physical Education Activity	Porter High School Campus Activity	Oakley Elementary Campus Activity
\$ 73,195	\$ 31,609	\$ 4,492	\$ 67,041	\$ 38,318	\$ 64,248
-	-	-	-	-	-
-	-	-	-	-	-
<u>73,195</u>	<u>31,609</u>	<u>4,492</u>	<u>67,041</u>	<u>38,318</u>	<u>64,248</u>
29,929	18,908	-	-	4,124	20,388
11,452	1,077	-	-	-	16,098
-	361	-	-	321	300
-	-	-	-	-	-
13,495	904	-	-	23,567	29,207
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
17,683	8,936	5,000	77,520	-	13,822
-	-	-	-	-	-
-	-	-	-	-	2,566
-	-	-	-	5,753	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>72,559</u>	<u>30,186</u>	<u>5,000</u>	<u>77,520</u>	<u>33,765</u>	<u>82,381</u>
636	1,423	(508)	(10,479)	4,553	(18,133)
9,757	15,118	11,952	109,265	50,215	35,146
<u>\$ 10,393</u>	<u>\$ 16,541</u>	<u>\$ 11,444</u>	<u>\$ 98,786</u>	<u>\$ 54,768</u>	<u>\$ 17,013</u>

New Caney Independent School District

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

Nonmajor Government Funds – Special Revenue Funds- Continued
For the Fiscal Year Ended August 31, 2017

		478	479
Data Control Codes		Porter High School Athletic Activity	Woodridge Forest M.S. Activity
REVENUES			
5700	Local and intermediate sources	\$ 58,870	\$ 49,594
5800	State program revenues	-	-
5900	Federal program revenues	-	-
5020	Total revenues	<u>58,870</u>	<u>49,594</u>
EXPENDITURES			
Current:			
0011	Instruction	-	21,343
0012	Instructional resources and media services	-	2,589
0013	Curriculum and instructional staff development	-	230
0021	Instructional leadership	-	-
0023	School leadership	-	26,066
0031	Guidance, counseling, and evaluation services	-	-
0032	Social work services	-	-
0033	Health services	-	-
0034	Student transportation	-	-
0035	Food services	-	-
0036	Extracurricular activities	86,875	14,783
0041	General administration	-	-
0051	Plant maintenance and operations	-	198
0052	Security and monitoring services	-	1,781
0061	Community services	-	-
Intergovernmental:			
0093	Payments related to shared services arrangements	-	-
6030	Total expenditures	<u>86,875</u>	<u>66,990</u>
1200	Net change in fund balances	(28,005)	(17,396)
0100	Fund balances - beginning	<u>81,205</u>	<u>22,484</u>
3000	FUND BALANCES - ENDING	<u>\$ 53,200</u>	<u>\$ 5,088</u>

480	495	
Dogwood Elementary Campus Activity	Education Foundation Grant	Total Nonmajor Funds (See Exhibit C-2)
\$ 5,000	\$ 82,776	\$ 3,468,661
-	-	1,460,473
-	-	11,226,166
<u>5,000</u>	<u>82,776</u>	<u>16,155,300</u>
1,019	80,757	4,550,981
-	-	110,195
-	-	1,708,200
-	-	20,530
3,068	-	256,274
-	599	484,448
-	-	12,924
-	-	247
-	-	10,008
-	-	8,087,906
-	-	365,104
-	-	12,742
-	-	2,764
-	-	8,910
-	-	118,410
-	-	154,000
<u>4,087</u>	<u>81,356</u>	<u>15,903,643</u>
913	1,420	251,657
-	-	1,461,438
<u>\$ 913</u>	<u>\$ 1,420</u>	<u>\$ 1,713,095</u>

New Caney Independent School District

Schedule of Delinquent Taxes Receivable

For the Fiscal Year Ended August 31, 2017

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2008 and Prior Years	\$	Various	\$	Various	\$	Various
2009		1.04		0.400		1,862,058,264
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 School year under audit		1.17		0.500		3,528,444,491

1000 TOTALS

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

10 Beginning Balance 9/1/16	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/17
\$ 479,681	\$ -	\$ 24,505	\$ 8,835	\$ (33,953)	\$ 412,388
107,043	-	4,777	1,837	(1,647)	98,782
125,769	-	5,185	2,193	(3,317)	115,074
129,184	-	6,629	3,187	(3,808)	115,560
137,023	-	29,954	14,403	25,497	118,163
174,908	-	48,537	23,337	32,350	135,384
218,390	-	71,952	30,748	58,607	174,297
334,474	-	119,525	51,079	63,156	227,026
918,268	-	399,644	170,787	(7,552)	340,285
-	58,925,023	40,275,351	17,211,590	(404,848)	1,033,234
<u>\$ 2,624,740</u>	<u>\$ 58,925,023</u>	<u>\$ 40,986,059</u>	<u>\$ 17,517,996</u>	<u>\$ (275,515)</u>	<u>\$ 2,770,193</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, 2017

Exhibit J-2

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
REVENUES					
5700	Local and intermediate sources	\$ 3,321,238	\$ 3,321,238	\$ 2,354,495	\$ (966,743)
5800	State program revenues	338,000	338,000	232,916	(105,084)
5900	Federal program revenues	5,195,500	5,195,500	5,784,879	589,379
5020	Total revenues	<u>8,854,738</u>	<u>8,854,738</u>	<u>8,372,290</u>	<u>(482,448)</u>
EXPENDITURES					
Current:					
0035	Food services	8,854,738	8,854,738	8,087,906	766,832
6030	Total expenditures	<u>8,854,738</u>	<u>8,854,738</u>	<u>8,087,906</u>	<u>766,832</u>
1200	Net change in fund balance	-	-	284,384	284,384
0100	Fund balance - beginning	<u>955,263</u>	<u>955,263</u>	<u>955,263</u>	<u>-</u>
3000	FUND BALANCE - ENDING	<u>\$ 955,263</u>	<u>\$ 955,263</u>	<u>\$ 1,239,647</u>	<u>\$ 284,384</u>

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, 2017

Exhibit J-3

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
REVENUES					
5700	Local and intermediate sources	\$ 17,536,127	\$ 17,907,670	\$ 17,904,331	\$ (3,339)
5800	State program revenues	6,417,553	7,344,101	7,374,471	30,370
5020	Total revenues	<u>23,953,680</u>	<u>25,251,771</u>	<u>25,278,802</u>	<u>27,031</u>
EXPENDITURES					
Debt Service:					
0071	Principal on long-term debt	7,712,883	7,712,883	7,712,883	-
0072	Interest on long-term debt	16,252,122	17,473,539	17,473,539	-
0073	Issuance costs and fees	-	807,987	738,379	69,608
6030	Total expenditures	<u>23,965,005</u>	<u>25,994,409</u>	<u>25,924,801</u>	<u>69,608</u>
1100	Excess (deficiency) of revenues over (under) expenditures	<u>(11,325)</u>	<u>(742,638)</u>	<u>(645,999)</u>	<u>96,639</u>
OTHER FINANCING SOURCES (USES)					
7916	Premium or discount on issuance of bonds	-	731,313	731,314	1
7080	Total other financing sources (uses)	<u>-</u>	<u>731,313</u>	<u>731,314</u>	<u>1</u>
1200	Net change in fund balance	(11,325)	(11,325)	85,315	96,640
0100	Fund balance - beginning	<u>4,949,977</u>	<u>4,949,977</u>	<u>4,949,977</u>	<u>-</u>
3000	FUND BALANCE - ENDING	<u>\$ 4,938,652</u>	<u>\$ 4,938,652</u>	<u>\$ 5,035,292</u>	<u>\$ 96,640</u>

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Overall Compliance, Internal Control Section and Federal Awards

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

The Board of Trustees of
New Caney Independent School District
21580 Loop 494
New Caney, Texas 77357

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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 14, 2017.

Internal Control over Financial Reporting

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

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

Our consideration of internal control 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 District'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 District'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
December 14, 2017



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
21580 Loop 494
New Caney, Texas 77357

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 U.S. *Office of Management and Budget (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, 2017. 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, 2017.

Report on Internal Control over Compliance

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

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

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

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

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas
December 14, 2017

New Caney Independent School District

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended August 31, 2017

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 | 10.553 and 10.555 – Child Nutrition Cluster |
| 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, 2017

Prior Year Findings

None reported

New Caney Independent School District
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended August 31, 2017

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.S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education:			
ESEA Title I, Part A - Improving Basic Programs	84.010A	17610101170908	\$ 2,175,453
Special Education Cluster (IDEA):			
IDEA - Part B, Formula	84.027A	176600011709086000	2,116,891
IDEA - Part B, Preschool	84.173A	176600011709086000	6,514
Total Special Education Cluster (IDEA)			<u>2,123,405</u>
Career and Technical - Basic Grant	84.048A	17420006170908	138,578
Title III, Part A - English Language Acquisition and Language Enhancement	84.365A	17671001170908	368,418
Title III, Part A-Immigrant	84.365A	17671003170908	46,452
Total 84.365A			<u>414,870</u>
Summer School LEP	84.369A	69551602	23,014
ESEA Title II, Part A - Teacher and Principal Training and Recruiting	84.367A	17694501170908	198,134
Passed Through Nat. Institute For Excellence in Teaching:			
Support Effective Educator Development	84.423A	N/A*	484,506
Passed Through Region VI Education Service Center:			
Title I, Part C - Migrant	84.011A	17615001236950	39,561
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>5,597,521</u>
U.S. DEPARTMENT OF AGRICULTURE			
Child Nutrition Cluster:			
Passed Through State Department of Agriculture - Non-Cash Assistance:			
National School Lunch Program	10.555	00835	471,511
Passed Through State Department of Education - Cash Assistance:			
School Breakfast Program	10.553	71401701	1,308,368
National School Lunch Program	10.555	71301701	4,005,000
Total Child Nutrition Cluster			<u>5,784,879</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>5,784,879</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 11,382,400</u>

* 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.

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 New Caney Independent School 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	\$ 11,382,400
General Fund - federal revenue	
SHARS	956,847
ROTC	82,056
Total federal revenues per exhibit C-2	<u>\$ 12,421,303</u>

New Caney Independent School District
 Schedule of Required Responses to Selected
 School FIRST Indicators (Unaudited)
 For the Fiscal Year Ended August 31, 2017

Exhibit L-1

<u>Data Control Codes</u>		<u>Responses</u>
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?	\$ 2,598,063
SF11	Net pension assets (1920) at fiscal year-end.	\$ -
SF12	Net pension liabilities (2540) at fiscal year-end.	\$ 32,755,201