

College Station Independent School District

Notes to the Financial Statements

The District’s investments are in investment pools and are measured at amortized cost and are not required to be categorized in the fair value heirarchy as presented in the table below. The District’s investment balances, weighted average maturity, and credit risk of such investments are as follows:

	<u>August 31, 2019</u>	<u>Percent of Total Investments</u>	<u>Weighted Average Maturity (Days)</u>	<u>Credit Risk</u>
Investments measured at amortized cost:				
Investment pools:				
TexPool	\$ 1,746,225	32%	36	AAAm*
Lone Star - government overnight fund	3,671,729	68%	27	AAAm*
Total value	<u>\$ 5,417,954</u>	<u>100%</u>		
Portfolio weighted average maturity			30	

* Standard & Poor's Rating

The TexPool and Lone Star 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 US government securities), and can meet reasonably foreseeable redemptions. TexPool and Lone Star 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.

Credit Risk

At year-end, the District’s investments were rated as noted in the table above. TexPool is duly chartered and administered by the State Comptroller’s Office. Lone Star 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. All credit ratings met acceptable levels required by legal guidelines prescribed in both the Public Funds Investment Act and the District’s investment policy.

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 shall have a maximum dollar weighted maturity of 180 days. The maximum allowable stated maturity of any other individual investment owned by the District is not to exceed one year from the time of purchase.

Concentration of Credit Risk

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

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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, 2019, the District's bank balance was not exposed to custodial credit risk because it was insured and collateralized with securities held by the District's agent in the District's name.

Custodial Credit Risk – Investments

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

B. Receivables

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

Change in uncollectibles related to general fund property taxes	\$	(1,101)
Change in uncollectibles related to debt service property taxes		(241)
		(1,342)
Total change in uncollectibles in the current fiscal year	\$	(1,342)

Approximately 56% of the outstanding balance of property taxes receivable is not anticipated to be collected within the next year.

C. Interfund Receivables, Payables, and Transfers

1. Receivables/Payables

The composition of interfund balances as of August 31, 2019, is as follows:

Funds	Interfund Receivables	Interfund Payables
General fund	\$ 833,854	\$ -
Nonmajor governmental funds	-	833,854
	-	833,854
Totals	\$ 833,854	\$ 833,854

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

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2. Transfers

Interfund transfers are defined as “flows of assets without equivalent flow of assets in return and without a requirement for repayment.” Transfers are the use of funds collected in one fund and are transferred to finance various programs accounted for in other funds. The following is a summary of the District’s transfers for the fiscal year ended August 31, 2019.

Transfer Out	Transfers In	Amount
General Fund	Non major - National school breakfast and lunch program	\$ 24,571

D. Capital Assets

Capital asset activity for the fiscal year ended August 31, 2019 was as follows:

	Beginning Balance	Additions	Retirements, Transfers, and Adjustments	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land and improvements	\$ 19,005,552	\$ 72,670	\$ -	\$ 19,078,222
Construction in progress	71,672,639	14,452,864	(49,158,758)	36,966,745
Total capital assets, not being depreciated	90,678,191	14,525,534	(49,158,758)	56,044,967
Capital assets, being depreciated:				
Buildings and improvements	435,898,500	189,649	49,158,758	485,246,907
Furniture and equipment	32,241,601	1,924,481	(127,428)	34,038,654
Total capital assets, being depreciated	468,140,101	2,114,130	49,031,330	519,285,561
Less accumulated depreciation for:				
Buildings and improvements	(130,992,187)	(12,538,282)	-	(143,530,469)
Furniture and equipment	(24,660,895)	(2,657,769)	127,428	(27,191,236)
Total accumulated depreciation	(155,653,082)	(15,196,051)	127,428	(170,721,705)
Total capital assets, being depreciated, net	312,487,019	(13,081,921)	49,158,758	348,563,856
Governmental activities capital assets, net	\$ 403,165,210	\$ 1,443,613	\$ -	\$ 404,608,823
Business-type activities:				
Capital assets, being depreciated:				
Furniture and equipment	\$ 47,572	\$ -	\$ -	\$ 47,572
Less accumulated depreciation for:				
Furniture and equipment	(47,572)	-	-	(47,572)
Business-type activities capital assets, net	\$ -	\$ -	\$ -	\$ -

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

Governmental activities:		
11	Instruction	\$ 9,421,244
12	Instructional resources and media services	231,867
13	Curriculum and instructional staff development	33,548
21	Instructional leadership	14,941
23	School leadership	829,529
31	Guidance, counseling, and evaluation services	264,060
33	Health services	60,548
34	Student transportation	933,437
35	Food services	342,693
36	Extracurricular activities	1,262,256
41	General administration	140,856
51	Plant maintenance and operations	858,348
52	Security and monitoring services	282,074
53	Data processing	514,566
61	Community services	<u>6,084</u>
Total depreciation expense-governmental activities		<u>\$ 15,196,051</u>

Construction Commitments

The District has active construction projects as of August 31, 2019. The projects include the construction and equipment of school facilities. At year end, the District's commitments with contractors are as follows:

Project	Remaining Commitment
South Knoll elementary renovations	\$ 206,864
College Station middle school renovations	57,622
A&M Consolidated middle school renovations	30,316
River Bend elementary construction	<u>1,468,091</u>
Total	<u>\$ 1,762,893</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, self-insured workers' compensation, compensated absences, and net pension and OPEB liability. The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund. The current requirements for the self-funded workers' compensation claims are accounted for in the internal service fund. Other long-term liabilities are generally liquidated with resources of the general fund.

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Changes in Long-term Liabilities

Long-term liability activity for the fiscal year ended August 31, 2019, was as follows:

	Beginning Balance	Additions and (Provision Adjustment)	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 342,500,000	\$ -	\$ (20,195,000)	\$ 322,305,000	\$ 16,370,000
Issuance premiums	25,457,694	-	(1,643,727)	23,813,967	-
Total bonds payable, net	367,957,694	-	(21,838,727)	346,118,967	16,370,000
Workers' compensation	679,958	339,373	(261,888)	757,443	757,443
Compensated absences	727,476	118,441	(101,882)	744,035	77,694
Net pension liability	21,552,941	19,622,279	(2,374,698)	38,800,522	-
Net OPEB liability	41,430,286	11,301,291	(718,623)	52,012,954	-
Governmental activities long-term liabilities	\$ 432,348,355	\$ 31,381,384	\$ (25,295,818)	\$ 438,433,921	\$ 17,205,137

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities.

General Obligation Bonds

The District issues general obligation bonds to provide funds for the construction and equipment of school facilities (SCH) and to refund general obligation bonds (REF). General obligation bonds are direct obligations and pledge the full faith and credit of the District.

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
2009 SCH	3.00-5.00%	37,500,000	2020	\$ 2,335,000	\$ -	\$ (1,145,000)	\$ 1,190,000
2009 REF	2.00-3.75%	4,920,000	2020	1,145,000	-	(560,000)	585,000
2010 SCH	2.00-4.00%	65,000,000	2032	13,600,000	-	(2,145,000)	11,455,000
2011 SCH	2.00-5.00%	41,700,000	2024	8,370,000	-	(1,235,000)	7,135,000
2012 REF	2.00-4.00%	8,945,000	2024	5,230,000	-	(790,000)	4,440,000
2014 SCH	3.00-5.00%	78,790,000	2039	66,910,000	-	(3,760,000)	63,150,000
2015 REF	2.00-5.00%	46,455,000	2027	37,660,000	-	(6,070,000)	31,590,000
2016 SCH	2.00-5.00%	64,100,000	2041	59,765,000	-	(2,895,000)	56,870,000
2016 REF	1.75-5.00%	37,345,000	2034	36,870,000	-	-	36,870,000
2017 SCH	3.00-5.00%	65,450,000	2042	65,105,000	-	(1,595,000)	63,510,000
2017 REF	3.00-5.00%	46,125,000	2036	45,510,000	-	-	45,510,000
Totals				\$ 342,500,000	\$ -	\$ (20,195,000)	\$ 322,305,000

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

Year Ending August 31,	Principal	Interest	Total Requirements
2020	\$ 16,370,000	\$ 12,231,713	\$ 28,601,713
2021	16,250,000	11,543,094	27,793,094
2022	15,390,000	10,918,144	26,308,144
2023	15,960,000	10,384,269	26,344,269
2024	16,645,000	9,701,169	26,346,169
2025	16,455,000	8,955,012	25,410,012
2026	17,250,000	8,158,512	25,408,512
2027	17,840,000	7,436,562	25,276,562
2028	13,960,000	6,697,062	20,657,062
2029	14,560,000	6,119,838	20,679,838
2030	15,210,000	5,494,138	20,704,138
2031	15,780,000	4,947,175	20,727,175
2032	16,385,000	4,430,156	20,815,156
2033	17,035,000	3,893,231	20,928,231
2034	17,625,000	3,331,981	20,956,981
2035	16,235,000	2,738,113	18,973,113
2036	12,685,000	2,183,325	14,868,325
2037	10,490,000	1,738,600	12,228,600
2038	10,855,000	1,374,100	12,229,100
2039	11,235,000	992,856	12,227,856
2040	6,965,000	598,069	7,563,069
2041	7,195,000	371,225	7,566,225
2042	3,930,000	132,638	4,062,638
Totals	\$ 322,305,000	\$ 124,370,982	\$ 446,675,982

As of August 31, 2019, 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 District's basic financial statements. As of August 31, 2019, the outstanding defeased bonds are noted below:

2011	General obligation bonds (maturing 2026, callable August 15, 2020)	\$ 3,370,000
2011	General obligation bonds (maturing 2036, callable August 15, 2020)	22,640,000
Total		\$ 26,010,000

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F. Fund Balance

Other committed fund balance includes the following commitments of funds:

Governmental funds:	
General fund - future land purchases	\$ 4,000,000
Campus activity	1,657,547

Total other committed fund balance	\$ 5,657,547

G. Revenues from Local and Intermediate Sources

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

	General	Debt Service	Capital Projects Funds	Nonmajor Governmental Funds	Totals
Property taxes	\$ 105,001,503	\$ 33,516,124	\$ -	\$ -	\$ 138,517,627
Investment income	1,681,952	665,877	648,631	9,252	3,005,712
Charges for services	777,530	-	-	3,502,794	4,280,324
Gifts and bequests	59,902	-	-	949,123	1,009,025
Other	159,620	-	-	777,809	937,429
	_____	_____	_____	_____	_____
Totals	\$ 107,680,507	\$ 34,182,001	\$ 648,631	\$ 5,238,978	\$ 147,750,117
	_____	_____	_____	_____	_____

Note 4. Other Information

A. Risk Management

General

Like all public school districts, the District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2019, the District purchased commercial insurance for claims related to all risks.

Health Care Coverage

During the fiscal year ended August 31, 2019, 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 \$405 per month, per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to TRS. The legislature created the Plan for public school employee group health coverage in 2002-03, requiring all Districts with fewer than 500 employees to participate in the Plan.

Workers' Compensation

During the fiscal year ended August 31, 2019, the District met its statutory workers' compensation obligations by participating as a self-funded member of the Texas Association of School Boards (TASB) Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

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As a self-funded member of the Fund, the District is solely responsible for all claim costs, both reported and unreported. The Fund provides administrative services to its self-funded members including claims administration and customer service.

The District is protected against higher than expected claims costs through the purchase of stop loss coverage.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2018, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

The liability estimation requires the estimate of loss development over an extended period of time. During the self-insurance period of time, numerous internal and external factors will affect the ultimate settlement value of claims. Due to the inherent uncertainty with regard to the impact of these factors, there can be no guarantee that actual losses will not vary, perhaps significantly, from the estimates. 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. The following is a summary of the changes in the balances of claims liabilities for workers' compensation for the past two years:

	Year Ended 8/31/2019	Year Ended 8/31/2018
Unpaid claims, beginning of fiscal year	\$ 679,958	\$ 618,699
Incurred claims (including IBNRs and changes in provisions)	339,373	326,816
Claim payments	(261,888)	(265,557)
Unpaid claims, end of fiscal year	\$ 757,443	\$ 679,958

B. Litigation and Contingencies

The District is generally involved in legal claims or assessments arising principally in the normal course of operations. In the opinion of the District's management, the District does not expect a loss and such matters will have a material effect on the District's financial position, results of operations or liquidity.

The District participates in a number of federal and state financial assistance programs. Although the District's grant programs have been audited in accordance with the provisions of the Single Audit Act through August 31, 2019, 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.

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C. Defined Benefit Pension Plan

Plan Description

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

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, Texas, 78701-2698; or by calling (512) 542-6592.

Benefits Provided

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

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

	2019	2018	2017
Member	7.7%	7.7%	7.7%
Non-employer contributing entity (state)	6.8%	6.8%	6.8%
Employers/district	6.8%	6.8%	6.8%
Employers/district OASDI	1.5%	1.5%	1.5%

The contribution amounts for the District’s fiscal year 2019 are as follows:

District contributions	\$ 751,461
Member contributions	536,855
NECE on-behalf contributions (state)	956,130

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

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

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

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

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

Actuarial Assumptions

The total pension liability in the August 31, 2017 actuarial valuation rolled forward to August 31, 2018 was determined using the following actuarial assumptions:

Valuation date	August 31, 2017 rolled forward to August 31, 2018
Actuarial cost method	Individual Entry Age Normal
Asset valuation method	Market Value
Single discount rate	6.907%
Long-term expected rate	7.25%
Municipal bond rate as of August 2018	3.69%. Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."
Last year ending August 31 in projection period (100 years)	2116
Inflation	2.30%
Salary increases	3.05% to 9.05% including inflation
Ad hoc postemployment benefit changes	None

The actuarial methods and assumptions are based primarily on a study of actual experience for the three-year period ending August 31, 2017 and adopted in July 2018.

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Discount Rate

The single discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.69%. 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 sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TRS's target asset allocation as of August 31, 2018 are summarized below:

Asset Class	Target Allocation*	Long-term Expected Arithmetic Real Rate or Return	Expected Contribution to Long-term Portfolio Returns
Global equity:			
U.S.	18.00%	5.70%	1.04%
Non-U.S. developed	13.00%	6.90%	0.90%
Emerging markets	9.00%	8.95%	0.80%
Directional hedge funds	4.00%	3.53%	0.14%
Private equity	13.00%	10.18%	1.32%
Stable value:			
U.S. treasuries	11.00%	1.11%	0.12%
Absolute return	0.00%	0.00%	0.00%
Stable value hedge funds	4.00%	3.09%	0.12%
Cash	1.00%	(0.3%)	0.00%
Real return:			
Global inflation linked bonds	3.00%	0.70%	0.02%
Real assets	14.00%	5.21%	0.73%
Energy and natural resources	5.00%	7.48%	0.37%
Commodities	0.00%	0.00%	0.00%
Risk parity:			
Risk parity	5.00%	3.70%	0.18%
Inflation expectation			2.30%
Volatility drag**			(0.79%)
Totals	100.00%		7.25%

* Target allocations are based on the FY2016 policy model

** The Expected Contribution to Long-term Portfolio Returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

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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 6.907%, as well as the District's proportionate share of the respective net pension liability if it was calculated using a discount rate that is 1% lower or 1% higher than the current rate:

1% Decrease (5.907%)	Current Discount Rate (6.907%)	1% Increase (7.907%)
\$ 58,559,291	\$ 38,800,522	\$ 22,804,626

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

At August 31, 2019, the District reported a liability of \$38,800,522 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	\$ 38,800,522
State's proportionate share of the net pension liability associated with the District	65,098,630
Total	\$ 103,899,152

The net pension liability was measured as of August 31, 2017, and rolled forward to August 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as August 31, 2017 rolled forward to August 31, 2018. 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, 2017 through August 31, 2018.

At August 31, 2018, the employer's proportion of the net pension liability was 0.0704920%, which was an increase of 0.0030856% from its proportion measured as of August 31, 2017.

Changes since the Prior Actuarial Valuation

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

- The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8.0% as of August 31, 2017 to 6.907% as of August 31, 2018.
- The long-term assumed rate of return changed from 8.0% to 7.25%.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net pension liability.

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, 2019, the District recognized total pension expense of \$11,898,012, which includes pension expense and revenue of \$6,443,029 for support provided by the State.

College Station Independent School District

Notes to the Financial Statements

At August 31, 2019, the District reported the deferred outflows of resources for contributions made after the measurement date and its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 241,851	\$ 952,012
Changes of assumptions	13,989,457	437,171
Net difference between projected and actual earnings on pension plan investments	-	736,213
Changes in proportion and differences between District contributions and proportionate share of contributions (cost-sharing plan)	3,553,129	288,099
District contributions paid after measurement date	2,509,106	-
Totals	\$ 20,293,543	\$ 2,413,495

\$2,509,106 reported as deferred outflows of resources related to pensions resulting from District contributions paid subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended August 31, 2020. 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,	
2020	\$ 4,089,363
2021	2,540,058
2022	2,118,238
2023	2,548,618
2024	2,435,175
Thereafter	1,639,490
Total	\$ 15,370,942

D. Defined Other Postemployment Benefit Plan

Plan Description

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

OPEB Plan Fiduciary Net Position

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

College Station Independent School District

Notes to the Financial Statements

Benefits Provided

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

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

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for a retiree with and without Medicare coverage.

	Medicare	Non-medicare
Retiree*	\$ 135	\$ 200
Retiree and spouse	529	689
Retiree* and children	468	408
Retiree and family	1,020	999

* or surviving spouse

Change of Benefit Terms since the Prior Measurement Date

The 85th Legislature, Regular Session, passed several statutory changes effective September 1, 2017 that affected TRS plans. These changes include:

- Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.
- Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants.
- Allowed the System to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retirees reach 65 years of age, rather than waiting for the next enrollment period.
- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan Years 2018 through 2021, requiring members to contribute \$200 per month towards their health insurance premiums.

Contributions

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

College Station Independent School District

Notes to the Financial Statements

Texas Insurance Code, section 1575.202 establishes the State’s contribution rate which is 1.25% of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is 0.75% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	2019	2018	2017
Active employee	0.65%	0.65%	0.65%
Non-employer contribution entity (state)	1.25%	1.25%	1.00%
Employers/District	0.75%	0.75%	0.55%
Federal/private funding remitted by employers	1.25%	1.25%	1.00%

The contribution amounts for the District’s fiscal year 2019 are as follows:

District contributions	\$	751,461
Member contributions		536,855
NECE on-behalf contributions (state)		956,130

In addition, the State of Texas contributed \$304,036, \$231,800, and \$221,557 in 2019, 2018, and 2017, respectively, for on-behalf payments for Medicare Part D.

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$182.6 million in fiscal year 2018. The 85th Texas Legislature, House Bill 30 provided an additional \$212 million in one-time, supplemental funding for the fiscal year 2018-19 biennium to continue to support the program. This was also received in fiscal year 2018 bringing the total appropriations received in fiscal year 2018 to \$394.6 million.

Actuarial Assumptions

A change was made in the measurement date of the total OPEB liability for this fiscal year. The actuarial valuation was performed as of August 31, 2017. Update procedures were used to roll forward the total OPEB liability to August 31, 2018. This is the first year using the roll forward procedures.

The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including mortality and most of the economic assumptions used in this OPEB valuation were identical to those used in the respective TRS pension valuation.

College Station Independent School District

Notes to the Financial Statements

The active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB. The Post-retirement mortality rates were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the most recently published scale (U-MP).

The following assumptions used for members of TRS-Care are identical to the assumptions employed in the August 31, 2017 TRS annual pension actuarial valuation that was rolled forward to August 31, 2018:

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

Additional Actuarial Methods and Assumptions:

Valuation date	August 31, 2017, rolled forward to August 31, 2018
Actuarial cost method	Individual Entry Age Normal
Inflation	2.30%
Discount rate	3.69%. Sourced from fixed Income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2018.
Aging factors	Based on plan specific experience
Election rates	Normal Retirement: 70% participation prior to age 65 and 75% after age 65.
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected annual salary increases**	3.05% to 9.05%, including inflation
Healthcare trend rates	Initial medical trend rates of 107.74 percent and 9.00 percent for Medicare retirees and an initial medical trend rate of 6.75 percent for non-Medicare retirees. Initial prescription drug trend rate of 11.00 percent for all retirees. The first year trend increase for the Medicare Advantage (medical) premiums reflects the anticipated return of the Health Insurer Fee (HIF) in 2020.
Ad hoc postemployment benefit changes	None

In this valuation, the impact of the Cadillac Tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.50%.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

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

College Station Independent School District

Notes to the Financial Statements

Discount Rate

A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase of 0.27% in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability

Discount Rate

The following table presents the District’s proportionate share of net OPEB liability for TRS-Care if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.69%).

1% Decrease (2.69%)	Current Discount Rate (3.69%)	1% Increase (4.69%)
\$ 61,913,286	\$ 52,012,954	\$ 44,181,154

Healthcare Cost Trend Rates

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

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$ 43,197,606	\$ 52,012,954	\$ 63,622,959

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

At August 31, 2019, the District reported a liability of \$52,012,954 for its proportionate share of the TRS’s net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District’s proportionate share of the net OPEB liability	\$ 52,012,954
State’s proportionate share of the net OPEB liability associated with the District	65,727,916
Total	\$ 117,740,870

The net OPEB liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The employer’s proportion of the net OPEB liability was based on the employer’s contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2017 through August 31, 2018.

College Station Independent School District

Notes to the Financial Statements

At August 31, 2019 the employer's proportion of the collective net OPEB liability was 0.1041698% which was an increase of 0.0088977% from its proportion measured as of August 31, 2018.

Changes since the Prior Actuarial Valuation

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

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the total OPEB liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the total OPEB liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the total OPEB liability.
- The discount rate was changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018. This change lowered the total OPEB liability \$2.3 billion.
- Change of benefit terms since the prior measurement date made effective September 1, 2017 by the 85th Texas Legislature.

For the year ended August 31, 2019, the District recognized total OPEB expense of \$4,299,417, which includes OPEB expense and revenue of \$2,390,787 for support provided by the State.

At August 31, 2019, the District reported the District's contributions paid after the measurement date and its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other postemployment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 2,760,134	\$ 820,841
Changes of assumptions	867,955	15,626,908
Net difference between projected and actual earnings on OPEB investments	9,096	-
Changes in proportion and differences between District contributions and proportionate share of contributions (cost-sharing plan)	4,878,595	-
District contributions paid after measurement date	751,461	-
Totals	\$ 9,267,241	\$ 16,447,749

College Station Independent School District

Notes to the Financial Statements

\$751,461 reported as deferred outflows of resources related to OPEB resulting from District contributions paid subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the fiscal year ended August 31, 2020. Other amounts reported as deferred outflows of resources (deferred inflows of resources) related to OPEB will be recognized in OPEB expense as follows:

Year Ending August 31,	
2020	\$ (1,440,213)
2021	(1,440,213)
2022	(1,440,213)
2023	(1,441,934)
2024	(1,442,917)
Thereafter	<u>(726,479)</u>
Total	\$ (7,931,969)

E. Joint Venture-Shared Services Arrangement

The District participates in the following shared services arrangement:

Brazos Valley Regional Day School Program for the Deaf

The District participates in a shared services arrangement, Brazos Valley 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, Bryan 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 services arrangement. The District's portion of expenditures for the fiscal year ended August 31, 2019 totaled \$127,494.

F. Nonmonetary Transactions

During 2019, the District received textbooks purchased by the State of Texas for the benefit of the District for a purchase price of \$23,396. The District receives the textbooks as part of state funding for textbook allotment. The textbooks have been recorded in the amount of \$23,396 in a special revenue fund as both state revenues and expenditures, which represents the amount of consideration given by the State of Texas.

G. Related Party Transactions

During the fiscal year ended August 31, 2019, the District paid \$1,831,827 to a vendor, which is considered a related party for services provided to the District.

H. Prior Period Adjustment

During the year ended August 31, 2019, the District's management identified an error in the amount of \$2,434,949 for accrued payroll expenditures reported in the previous year's financial statements. The effect of this error is to increase the August 31, 2018 accrued wages payable by \$2,434,949 and decrease the change in net position and change in fund balance in the fiscal year 2018 financial statements by the same amount.

Required Supplementary Information

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College Station Independent School District
Schedule of Revenues, Expenditures, and Changes in
Fund Balance – Budget and Actual
General Fund
For the Fiscal Year Ended August 31, 2019

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
REVENUES					
5700	Local and intermediate sources	\$ 106,824,747	\$ 107,527,191	\$ 107,680,507	\$ 153,316
5800	State program revenues	15,710,250	19,209,899	19,187,165	(22,734)
5900	Federal program revenues	1,715,000	3,725,000	3,839,510	114,510
5020	Total revenues	124,249,997	130,462,090	130,707,182	245,092
EXPENDITURES					
Current:					
0011	Instruction	67,593,184	70,902,122	67,486,448	3,415,674
0012	Instructional resources and media services	882,902	885,244	851,743	33,501
0013	Curriculum and instructional staff development	961,669	1,030,412	864,858	165,554
0021	Instructional leadership	1,909,052	1,934,431	1,743,907	190,524
0023	School leadership	6,864,780	6,893,441	6,543,427	350,014
0031	Guidance, counseling, and evaluation services	3,969,203	3,988,520	3,874,462	114,058
0033	Health services	1,605,585	1,781,544	1,740,296	41,248
0034	Student transportation	3,747,839	3,919,624	3,713,191	206,433
0035	Food services	-	20,000	20,000	-
0036	Extracurricular activities	5,269,408	5,555,250	5,131,276	423,974
0041	General administration	3,384,582	3,355,341	3,230,476	124,865
0051	Plant maintenance and operations	12,929,869	13,143,751	13,007,253	136,498
0052	Security and monitoring services	917,446	931,657	841,921	89,736
0053	Data processing services	2,838,923	2,886,642	2,782,963	103,679
0061	Community services	146,517	156,016	145,127	10,889
Intergovernmental charges:					
0091	Contracted instructional services between public schools	14,638,779	14,388,088	14,018,416	369,672
0093	Payments related to shared services arrangements	105,000	130,000	127,494	2,506
0095	Payments to juvenile justice alternative education programs	10,000	16,000	15,001	999
0099	Other intergovernmental charges	1,162,000	1,082,000	984,593	97,407
6030	Total expenditures	128,936,738	133,000,083	127,122,852	5,877,231
1100	Excess (deficiency) of revenues over (under) expenditures	(4,686,741)	(2,537,993)	3,584,330	6,122,323
OTHER FINANCING SOURCES (USES)					
8911	Transfers out	-	-	(24,571)	(24,571)
8949	Refunds to taxpayers	-	-	(269,034)	(269,034)
7080	Total other financing sources (uses)	-	-	(293,605)	(293,605)
1200	Net change in fund balance	(4,686,741)	(2,537,993)	3,290,725	5,828,718
0100	Fund balance - beginning	36,981,869	36,981,869	36,981,869	-
1300	Prior period adjustment	-	-	(2,434,949)	(2,434,949)
	Fund balance - beginning, as restated	36,981,869	36,981,869	34,546,920	(2,434,949)
3000	FUND BALANCE - ENDING	\$ 32,295,128	\$ 34,443,876	\$ 37,837,645	\$ 3,393,769

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

College Station Independent School District

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

	<u>2019</u>
District's proportion of the net pension liability	0.0704920%
District's proportionate share of the net pension liability	\$ 38,800,522
State's proportionate share of the net pension liability associated with the District	<u>65,098,630</u>
TOTALS	<u><u>\$ 103,899,152</u></u>
District's covered payroll	\$ 78,588,520
District's proportionate share of the net pension liability as a percentage of its covered payroll	49.37%
Plan fiduciary net position as a percentage of the total pension liability	73.74%

* 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.

Exhibit G-2

2018	2017	2016	2015
0.0674064%	0.0685418%	0.0700071%	0.0486579%
\$ 21,552,941	\$ 25,900,909	\$ 24,746,578	\$ 12,997,198
37,406,346	43,719,778	39,780,931	33,701,919
<u>\$ 58,959,287</u>	<u>\$ 69,620,687</u>	<u>\$ 64,527,509</u>	<u>\$ 46,699,117</u>
\$ 74,083,764	\$ 70,905,322	\$ 65,947,738	\$ 63,148,855
29.09%	36.53%	37.52%	20.58%
82.17%	78.00%	78.43%	83.25%

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

	<u>2019</u>
Contractually required contributions	\$ 2,509,106
Contributions in relation to the contractually required contributions	<u>(2,509,106)</u>
CONTRIBUTION DEFICIENCY (EXCESS)	<u><u>\$ -</u></u>
District's covered payroll	\$ 82,679,455
Contributions as a percentage of covered payroll	3.03%

*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.

Exhibit G-3

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 2,385,146	\$ 2,209,189	\$ 2,177,745	\$ 2,072,942
<u>(2,385,146)</u>	<u>(2,209,189)</u>	<u>(2,177,745)</u>	<u>(2,072,942)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 78,588,520	\$ 74,083,764	\$ 70,905,322	\$ 65,947,738
3.03%	2.98%	3.07%	3.14%

College Station Independent School District
 Schedule of the District's Proportionate Share of the Net OPEB
 Liability of a Cost-Sharing Multiple-Employer OPEB Plan
 Teacher Retirement System of Texas
 Last Two Fiscal Years*

	2019	2018
District's proportion of the net OPEB liability	0.1041698%	0.0952722%
District's proportionate share of the net OPEB liability	\$ 52,012,954	\$ 41,430,286
State's proportionate share of the net OPEB liability associated with the District	65,727,916	57,119,812
TOTAL	\$ 117,740,870	\$ 98,550,098
District's covered payroll	\$ 78,588,520	\$ 74,083,764
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	66.18%	55.92%
Plan fiduciary net position as a percentage of the total OPEB liability	1.57%	0.91%

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

College Station Independent School District
 Schedule of the District's Contributions to the
 Teacher Retirement System of Texas OPEB Plan
 Last Two Fiscal Years*

	<u>2019</u>	<u>2018</u>
Contractually required contributions	\$ 751,461	\$ 717,875
Contributions in relation to the contractually required contributions	<u>(751,461)</u>	<u>(717,875)</u>
CONTRIBUTION DEFICIENCY (EXCESS)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
District's covered payroll	\$ 82,679,455	\$ 78,588,520
Contributions as a percentage of covered payroll	0.91%	0.91%

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

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College Station Independent School District

Notes to the Required Supplementary Information

Note 1. Budget

Budgetary Information

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

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

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

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

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Supplementary Information

College Station Independent School District
Combining Balance Sheet
Nonmajor Governmental Funds – Special Revenue Funds
August 31, 2019

Data Control Codes		205	211	224
			ESSA, Title I, Part A - Improving Basic Programs	IDEA - Part B, Formula
		Head Start	Basic Programs	Formula
	ASSETS			
1110	Cash and cash equivalents	\$ -	\$ -	\$ -
1120	Current investments	-	-	-
1240	Due from other governments	224,969	258,942	177,298
1290	Other receivables	-	-	-
1300	Inventories	-	-	-
		\$ 224,969	\$ 258,942	\$ 177,298
1000	TOTAL ASSETS			
	LIABILITIES			
2110	Accounts payable	\$ 13,607	\$ 4,269	\$ 10,896
2170	Due to other funds	211,362	254,673	166,402
2300	Unearned revenue	-	-	-
		224,969	258,942	177,298
2000	Total liabilities			
	FUND BALANCES			
3450	Restricted - grant funds	-	-	-
3545	Committed - other	-	-	-
		-	-	-
3000	Total fund balances			
		-	-	-
4000	TOTAL LIABILITIES AND FUND BALANCES	\$ 224,969	\$ 258,942	\$ 177,298

Exhibit H-1
 (Page 1 of 3)

225	226	240
IDEA - Part B, Preschool	IDEA - Part B, Discretionary	National School Breakfast and Lunch Program
\$ 10,075	\$ -	\$ 247,281
-	-	1,049
1,615	-	199,001
-	-	577
-	-	232,479
<u>\$ 11,690</u>	<u>\$ -</u>	<u>\$ 680,387</u>
\$ -	\$ -	\$ 96,626
11,690	-	2,176
-	-	-
11,690	-	98,802
-	-	581,585
-	-	-
<u>-</u>	<u>-</u>	<u>581,585</u>
<u>\$ 11,690</u>	<u>\$ -</u>	<u>\$ 680,387</u>

College Station Independent School District

Combining Balance Sheet

Nonmajor Governmental Funds – Special Revenue Funds – Continued

August 31, 2019

<u>Data Control Codes</u>	244	255	263
	<u>Career and Technical - Basic Grant</u>	<u>ESSA, Title II, Part A; Teacher and Principal Training and Recruiting</u>	<u>Title III, Part A, English Language Acquisition and Enhancement</u>
ASSETS			
1110	\$ -	\$ -	\$ -
1120	-	-	-
1240	-	100,463	12,715
1290	-	-	15
1300	-	-	-
1000	<u>\$ -</u>	<u>\$ 100,463</u>	<u>\$ 12,730</u>
LIABILITIES			
2110	\$ -	\$ 1,327	\$ -
2170	-	99,136	12,730
2300	-	-	-
2000	-	100,463	12,730
FUND BALANCES			
3450	-	-	-
3545	-	-	-
3000	-	-	-
4000	<u>\$ -</u>	<u>\$ 100,463</u>	<u>\$ 12,730</u>

	289	385	397	410
Improving Academic Achievement (Summer School LEP)	Supplemental Visually Impaired	Advanced Placement Incentives	State Textbook Fund	
\$ 1,091	\$ -	\$ 3,855	\$ 29,178	
-	-	-	-	
54,622	-	-	46,548	
-	-	-	-	
-	-	-	-	
<u>\$ 55,713</u>	<u>\$ -</u>	<u>\$ 3,855</u>	<u>\$ 75,726</u>	
\$ -	\$ -	\$ -	\$ 7,444	
54,622	-	-	-	
1,091	-	-	-	
55,713	-	-	7,444	
-	-	3,855	68,282	
-	-	-	-	
-	-	3,855	68,282	
<u>\$ 55,713</u>	<u>\$ -</u>	<u>\$ 3,855</u>	<u>\$ 75,726</u>	

College Station Independent School District
Combining Balance Sheet
Nonmajor Governmental Funds – Special Revenue Funds – Continued
August 31, 2019

Data Control Codes		427	429	461
		<u>Workforce Investment Act Dislocated Workers Grant</u>	<u>Prekindergarten Grant Program</u>	<u>Campus Activity Funds</u>
	ASSETS			
1110	Cash and cash equivalents	\$ -	\$ 1,076	\$ 1,695,156
1120	Current investments	-	-	-
1240	Due from other governments	21,063	-	-
1290	Other receivables	-	-	-
1300	Inventories	-	-	-
1000	TOTAL ASSETS	<u>\$ 21,063</u>	<u>\$ 1,076</u>	<u>\$ 1,695,156</u>
	LIABILITIES			
2110	Accounts payable	\$ -	\$ -	\$ 36,729
2170	Due to other funds	21,063	-	-
2300	Unearned revenue	-	-	880
2000	Total liabilities	21,063	-	37,609
	FUND BALANCES			
3450	Restricted - grant funds	-	1,076	-
3545	Committed - other	-	-	1,657,547
3000	Total fund balances	-	1,076	1,657,547
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 21,063</u>	<u>\$ 1,076</u>	<u>\$ 1,695,156</u>

Exhibit H-1
 (Page 3 of 3)

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Education Foundation Grant	Total Nonmajor Funds (See Exhibit C-1)
\$ 8,291	\$ 1,996,003
-	1,049
-	1,097,236
-	592
-	232,479
<u>\$ 8,291</u>	<u>\$ 3,327,359</u>
\$ 1,279	\$ 172,177
-	833,854
-	1,971
1,279	1,008,002
7,012	661,810
-	1,657,547
<u>7,012</u>	<u>2,319,357</u>
<u>\$ 8,291</u>	<u>\$ 3,327,359</u>

College Station Independent School District
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds – Special Revenue Funds
For the Fiscal Year Ended August 31, 2019

Data Control Codes	205	211	224
	Head Start	ESSA, Title I, Part A - Improving Basic Programs	IDEA - Part B, Formula
REVENUES			
5700 Local and intermediate sources	\$ 984	\$ 452	\$ 188
5800 State program revenues	-	-	-
5900 Federal program revenues	2,341,546	1,565,687	2,271,701
5020 Total revenues	2,342,530	1,566,139	2,271,889
EXPENDITURES			
Current:			
0011 Instruction	1,123,111	1,226,628	1,582,772
0012 Instructional resources and media services	-	-	-
0013 Curriculum and instructional staff development	235,497	311,278	13,266
0021 Instructional leadership	208,247	245	88,813
0023 School leadership	-	-	-
0031 Guidance, counseling, and evaluation services	-	-	369,391
0032 Social work services	14,653	-	-
0033 Health services	146,837	-	319
0034 Student transportation	152	27,988	217,328
0035 Food services	-	-	-
0036 Extracurricular activities	-	-	-
0041 General administration	5,154	-	-
0051 Plant maintenance and operations	163,727	-	-
0052 Security and monitoring services	-	-	-
0061 Community services	445,152	-	-
Capital outlay:			
0081 Facilities acquisition and construction	-	-	-
6030 Total expenditures	2,342,530	1,566,139	2,271,889
1100 Excess (deficiency) of revenues over (under) expenditures	-	-	-
OTHER FINANCING SOURCES (USES)			
7915 Transfers in	-	-	-
7080 Total other financing sources (uses)	-	-	-
1200 Net change in fund balances	-	-	-
0100 Fund balances - beginning	-	-	-
3000 FUND BALANCES - ENDING	\$ -	\$ -	\$ -

Exhibit H-2
 (Page 1 of 3)

225	226	240
IDEA - Part B, Preschool	IDEA - Part B, Discretionary	National School Breakfast and Lunch Program
\$ -	\$ -	\$ 2,795,192
-	-	28,743
38,773	40,000	3,318,899
38,773	40,000	6,142,834
38,773	-	-
-	-	-
-	-	-
-	-	-
-	40,000	-
-	-	-
-	-	-
-	-	6,077,725
-	-	-
-	-	-
-	-	89,680
-	-	-
-	-	-
38,773	40,000	6,167,405
-	-	(24,571)
-	-	24,571
-	-	24,571
-	-	-
-	-	581,585
\$ -	\$ -	\$ 581,585

College Station Independent School District

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

Nonmajor Governmental Funds – Special Revenue Funds – Continued

For the Fiscal Year Ended August 31, 2019

<u>Data Control Codes</u>	244	255	263
	<u>Career and Technical - Basic Grant</u>	<u>ESSA, Title II, Part A,; Teacher and Principal Training and Recruiting</u>	<u>Title III, Part A, English Language Acquisition and Enhancement</u>
REVENUES			
5700	\$ 5	\$ 7	\$ 415
5800	-	-	-
5900	126,003	243,216	120,479
5020	126,008	243,223	120,894
EXPENDITURES			
Current:			
0011	112,414	90,645	86,292
0012	-	-	-
0013	-	152,578	34,602
0021	-	-	-
0023	-	-	-
0031	13,594	-	-
0032	-	-	-
0033	-	-	-
0034	-	-	-
0035	-	-	-
0036	-	-	-
0041	-	-	-
0051	-	-	-
0052	-	-	-
0061	-	-	-
Capital outlay:			
0081	-	-	-
6030	126,008	243,223	120,894
1100	-	-	-
OTHER FINANCING SOURCES (USES)			
7915	-	-	-
7080	-	-	-
1200	-	-	-
0100	-	-	-
3000	FUND BALANCES - ENDING	FUND BALANCES - ENDING	FUND BALANCES - ENDING
	\$ -	\$ -	\$ -

Exhibit H-2
 (Page 2 of 3)

289	385	397	410
Improving Academic Achievement (Summer School LEP)	Supplemental Visually Impaired	Advanced Placement Incentives	State Textbook Fund
\$ 183	\$ -	\$ -	\$ 10,832
-	7,352	4,430	2,521,791
114,411	-	-	-
114,594	7,352	4,430	2,532,623
32,492	7,352	-	2,482,949
-	-	-	-
82,102	-	575	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
114,594	7,352	575	2,482,949
-	-	3,855	49,674
-	-	-	-
-	-	-	-
-	-	3,855	49,674
-	-	-	18,608
\$ -	\$ -	\$ 3,855	\$ 68,282

College Station Independent School District

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

Nonmajor Governmental Funds – Special Revenue Funds – Continued
For the Fiscal Year Ended August 31, 2019

<u>Data Control Codes</u>	<u>427</u>	<u>429</u>	<u>461</u>
	<u>Workforce Investment Act Dislocated Workers Grant</u>	<u>Prekindergarten Grant Program</u>	<u>Campus Activity Funds</u>
REVENUES			
5700	\$ -	\$ -	\$ 2,278,229
5800	35,217	1,076	-
5900	3,950	-	-
5020	39,167	1,076	2,278,229
EXPENDITURES			
Current:			
0011	-	-	621,115
0012	-	-	113,465
0013	-	-	35,644
0021	-	-	-
0023	-	-	59,195
0031	-	-	98,653
0032	-	-	-
0033	-	-	8,577
0034	-	-	-
0035	-	-	-
0036	-	-	897,428
0041	-	-	120
0051	-	-	27,005
0052	-	-	2,310
0061	39,167	-	3,547
Capital outlay:			
0081	-	-	9,282
6030	39,167	-	1,876,341
1100	-	1,076	401,888
OTHER FINANCING SOURCES (USES)			
7915	-	-	-
7080	-	-	-
1200	-	1,076	401,888
0100	-	-	1,255,659
3000	FUND BALANCES - ENDING	FUND BALANCES - ENDING	FUND BALANCES - ENDING
	\$ -	\$ 1,076	\$ 1,657,547

Exhibit H-2
 (Page 3 of 3)

481

Education Foundation Grant	Total Nonmajor Funds (See Exhibit C-2)
\$ 152,491	\$ 5,238,978
-	2,598,609
-	10,184,665
152,491	18,022,252
173,906	7,578,449
7,686	121,151
-	865,542
-	297,305
-	59,195
-	521,638
-	14,653
-	155,733
-	245,468
-	6,077,725
-	897,428
-	5,274
-	280,412
-	2,310
-	487,866
-	9,282
181,592	17,619,431
(29,101)	402,821
-	24,571
-	24,571
(29,101)	427,392
36,113	1,891,965
\$ 7,012	\$ 2,319,357

College Station Independent School District

Combining Statement of Net Position

Nonmajor Enterprise Fund

August 31, 2019

Data Control Codes		Business-type Activities			Total Nonmajor Enterprise Fund
		713 Community Education	714 Kids Klub	715 Community Sports Camps	
	ASSETS				
	Current assets:				
1110	Cash and cash equivalents	\$ 313,824	\$ 993,325	\$ 20,320	\$ 1,327,469
	Total current assets	313,824	993,325	20,320	1,327,469
	Noncurrent assets:				
	Capital assets:				
1530	Furniture and equipment	7,902	39,670	-	47,572
1570	Accumulated depreciation	(7,902)	(39,670)	-	(47,572)
	Total noncurrent assets	-	-	-	-
1000	Total assets	313,824	993,325	20,320	1,327,469
	LIABILITIES				
	Current liabilities:				
2110	Accounts payable	8,377	9,800	-	18,177
2160	Accrued wages payable	-	52,230	-	52,230
2300	Unearned revenue	-	55,794	-	55,794
	Total current liabilities	8,377	117,824	-	126,201
	NET POSITION				
3900	Unrestricted	305,447	875,501	20,320	1,201,268
3000	TOTAL NET POSITION	<u>\$ 305,447</u>	<u>\$ 875,501</u>	<u>\$ 20,320</u>	<u>\$ 1,201,268</u>

College Station Independent School District

Combining Statement of Revenues, Expenses,
and Changes in Net Position
Nonmajor Enterprise Fund
For the Fiscal Year Ended August 31, 2019

Data Control Codes		Business-type Activities			Total Nonmajor Enterprise Fund
		713 Community Education	714 Kids Klub	715 Community Sports Camps	
	OPERATING REVENUES				
5739	Tuition	\$ 558,228	\$ 1,511,594	\$ 195,931	\$ 2,265,753
5744	Gifts and bequests	-	-	4,515	4,515
5755	Enterprising services revenue	886	-	-	886
5020	Total revenues	559,114	1,511,594	200,446	2,271,154
	OPERATING EXPENSES:				
6100	Payroll costs	357,218	1,263,468	175,991	1,796,677
6200	Professional and contracted services	23,662	15,030	-	38,692
6300	Supplies and materials	14,723	105,979	5,016	125,718
6400	Other operating costs	162,019	209,410	41	371,470
6030	Total expenses	557,622	1,593,887	181,048	2,332,557
1300	Change in net position	1,492	(82,293)	19,398	(61,403)
0100	Net position - beginning	303,955	957,794	922	1,262,671
3300	NET POSITION - ENDING	<u>\$ 305,447</u>	<u>\$ 875,501</u>	<u>\$ 20,320</u>	<u>\$ 1,201,268</u>

College Station Independent School District

Combining Statement of Cash Flows

Nonmajor Enterprise Fund

For the Fiscal Year Ended August 31, 2019

	Business-type Activities			Total Nonmajor Enterprise Fund
	713	714	715	
	Community Education	Kids Klub	Community Sports Camps	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from user charges	\$ 559,114	\$ 1,567,118	\$ 210,387	\$ 2,336,619
Cash payments for employees services and benefits	(357,218)	(1,290,624)	(175,991)	(1,823,833)
Cash payments for other operating expenses	(198,372)	(326,426)	(14,998)	(539,796)
Net cash provided by (used for) operating activities	3,524	(49,932)	19,398	(27,010)
Net increase (decrease) in cash and cash equivalents	3,524	(49,932)	19,398	(27,010)
Cash and cash equivalents at the beginning of the year	310,300	1,043,257	922	1,354,479
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	\$ 313,824	\$ 993,325	\$ 20,320	\$ 1,327,469
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES				
Operating income (loss)	\$ 1,492	\$ (82,293)	\$ 19,398	\$ (61,403)
Effect of increases and decreases in current assets and liabilities:				
(Increase) decrease in due from other funds	-	-	9,941	9,941
Increase (decrease) in accounts payable	2,032	3,993	(9,941)	(3,916)
Increase (decrease) in accrued wages payable	-	(27,156)	-	(27,156)
Increase (decrease) in unearned revenue	-	55,524	-	55,524
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 3,524	\$ (49,932)	\$ 19,398	\$ (27,010)

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College Station Independent School District
Schedule of Delinquent Taxes Receivable
For the Fiscal Year Ended August 31, 2019

Year Ended August 31,	1		2		3	
	Tax Rates				Assessed/ Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2010 and prior years	\$	Various	\$	Various	\$	Various
2011		1.00005		0.309880		5,867,839,885
2012		1.00005		0.334983		6,175,482,404
2013		1.04000		0.295033		6,369,476,485
2014		1.04000		0.280000		6,717,124,848
2015		1.04000		0.340000		7,186,517,899
2016		1.04000		0.322900		7,674,576,858
2017		1.04000		0.356000		8,452,966,691
2018		1.04000		0.358000		9,430,263,448
2019		1.04000		0.332000		10,102,930,612

1000 TOTALS

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

Exhibit J-1

10	20	31	32	40	50
Beginning Balance 9/1/18	Current Year's Total Levy	Maintenance Collections	Debt Service Collections	Entire Year's Adjustments	Ending Balance 8/31/19
\$ 176,603	\$ -	\$ 4,804	\$ 1,217	\$ (80,116)	\$ 90,466
48,114	-	675	209	-	47,230
54,312	-	1,535	514	(588)	51,675
54,742	-	1,701	482	(1,563)	50,996
58,718	-	37,951	10,218	54,263	64,812
77,301	-	38,024	12,431	59,096	85,942
99,204	-	4,859	1,509	8,400	101,236
150,190	-	35,583	12,181	23,645	126,071
925,180	-	269,693	92,836	(259,420)	303,231
-	138,612,208	104,230,426	33,273,559	(251,368)	856,855
<u>\$ 1,644,364</u>	<u>\$ 138,612,208</u>	<u>\$ 104,625,251</u>	<u>\$ 33,405,156</u>	<u>\$ (447,651)</u>	<u>\$ 1,778,514</u>
		\$ -	\$ -		

College Station 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, 2019

<u>Data Control Codes</u>		1	2	3	Variance with Final Budget Positive (Negative)
		<u>Budgeted Amounts</u>		<u>Actual</u>	
		<u>Original</u>	<u>Final</u>		
REVENUES					
5700	Local and intermediate sources	\$ 3,132,250	\$ 3,132,250	\$ 2,795,192	\$ (337,058)
5800	State program revenues	30,000	30,000	28,743	(1,257)
5900	Federal program revenues	3,308,097	3,308,097	3,318,899	10,802
5020	Total revenues	<u>6,470,347</u>	<u>6,470,347</u>	6,142,834	(327,513)
EXPENDITURES					
Current:					
0035	Food services	6,379,617	6,379,617	6,077,725	301,892
0051	Plant maintenance and operations	90,730	90,730	89,680	1,050
6030	Total expenditures	<u>6,470,347</u>	<u>6,470,347</u>	6,167,405	302,942
1100	Excess (deficiency) of revenues over (under) expenditures	-	-	(24,571)	(24,571)
OTHER FINANCING SOURCES (USES)					
7915	Transfers in	-	-	24,571	24,571
	Total other financing sources (uses)	-	-	24,571	24,571
1200	Net change in fund balance	-	-	-	-
0100	Fund balance - beginning	581,585	581,585	581,585	-
3000	FUND BALANCE - ENDING	<u>\$ 581,585</u>	<u>\$ 581,585</u>	<u>\$ 581,585</u>	<u>\$ -</u>

College Station 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, 2019

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
REVENUES					
5700	Local and intermediate sources	\$ 33,607,242	\$ 33,607,242	\$ 34,182,001	\$ 574,759
5800	State program revenues	-	-	318,276	318,276
5020	Total revenues	33,607,242	33,607,242	34,500,277	893,035
EXPENDITURES					
Debt service:					
0071	Principal on long-term debt	20,195,000	20,195,000	20,195,000	-
0072	Interest on long-term debt	13,157,082	13,157,082	13,157,081	1
0073	Issuance costs and fees	10,000	10,000	5,902	4,098
6030	Total expenditures	33,362,082	33,362,082	33,357,983	4,099
1100	Excess (deficiency) of revenues over (under) expenditures	245,160	245,160	1,142,294	897,134
OTHER FINANCING SOURCES (USES)					
8949	Refunds to taxpayers	-	-	(89,678)	(89,678)
7080	Total other financing sources (uses)	-	-	(89,678)	(89,678)
1200	Net change in fund balance	245,160	245,160	1,052,616	807,456
0100	Fund balance - beginning	8,865,779	8,865,779	8,865,779	-
3000	FUND BALANCE - ENDING	\$ 9,110,939	\$ 9,110,939	\$ 9,918,395	\$ 807,456

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Overall Compliance, Internal Control Section and Federal Awards

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

To the Board of Trustees of
College Station Independent School District
College Station, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of College Station Independent School District (the District) as of and for the year ended August 31, 2019 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 16, 2019. Our report on the financial statements includes an emphasis of a matter paragraph about the correction of a misstatement in previously issued financial statements.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the schedule of findings and questioned costs as item 2019-001 that we consider to be a material weakness.

The Board of Trustees of
College Station Independent School District

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*.

District’s Response to Finding

The District’s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District’s response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas
December 16, 2019

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

To the Board of Trustees of
College Station Independent School District

Report on Compliance for Each Major Federal Program

We have audited College Station Independent School District’s (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District’s major federal programs for the year ended August 31, 2019. 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, 2019.

The Board of Trustees of
College Station Independent School District

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 16, 2019

College Station Independent School District

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended August 31, 2019

Section 1. Summary of Auditor's Results

Financial Statements

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

Federal Awards

- | | |
|---|--|
| 4. Internal control over major programs: | |
| <i>a.</i> Material weakness(es) identified? | No |
| <i>b.</i> Significant deficiency(ies) identified that are not considered to be material weaknesses? | None reported |
| 5. Type of auditor's report issued on compliance with major programs | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? | No |
| 7. Identification of major programs | 84.027A and 84.173A -
Special Education 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 |

College Station Independent School District

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended August 31, 2019

Section 2. Financial Statement Findings

2019-001

Material Weakness in Internal Control over Financial Reporting: Financial Statement Misstatement

Criteria

Management is responsible for the accuracy and completeness of all financial records and related information and for establishing and maintaining effective internal control over financial reporting. The correction of a material misstatement of an entity's financial statements is an indication of a material weakness in internal control.

Condition

Beginning net position of governmental activities and beginning fund balance of the general fund were restated in the 2019 financial statements to correct misstatements of balances reported in the previous year associated with accrual wages payable and related payroll expenditures that had not been recognized in the correct period. The restatement was a reduction of net position/fund balance by \$2,434,949 to recognize the effects of the prior year expenditures.

Cause

In the preparation of its financial records for the year ended August 31, 2019, the District identified an opportunity to reflect the District's liability for accrued wages payable more accurately. In doing so, we discovered the District's prior year accrued wages payable and related payroll expenditures/expenses were understated. Because this understatement was not detected timely, there is an indication that closing procedures, specifically the monitoring and review of financial information, were not effectively performed.

Effect or Potential Effect

Material misstatement of the District's financial statements was not prevented, or detected and corrected, by the District's system of internal control. Failure to establish or maintain effective monitoring and closing procedures may allow possible irregularities to exist and continue without notice.

Recommendation

We recommend that the District review its internal control procedures over financial reporting to ensure controls are in place to identify and record all payroll expenditures in the correct period.

Views of Responsible Officials and Planned Corrective Actions

See corrective action plan

Section 3. Federal Award Findings and Questioned Costs

None reported

College Station Independent School District

Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended August 31, 2019

Prior Year Findings

Finding 2018-001: Child Nutrition Reporting
CFDA No. 10.553, 10.555, and 10.559

Significant Deficiency in Internal Control over Compliance

Criteria

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

Uniform Guidance requires that financial reports be filed timely and accurately.

Current Status

The District has implemented additional procedures and resolved this finding as of fiscal year ended August 31, 2019.



College Station Independent School District

Success...each life...each day...each hour

Corrective Action Plan

2019-001

Material Weakness in Internal Control over Financial Reporting: Financial Statement Misstatement

Corrective Action Plan

During the course of Fiscal Year 2019, Accounting Procedures were updated within the Business Services department to better and more accurately account for the District's year end payroll liability. These Accounting Procedures were developed by the District following a review of the District's current processes and fully implemented in Fiscal Year 2019. The new procedures are as follows:

- The Assistant Director of Business Services will obtain resources and documents created by the Payroll Manager and Budget Coordinator to calculate the District's year end payroll liability of the days worked but not paid to employees of the District.
- The Director of Business Services will review the calculation of the District's year end payroll liability along with all supporting documentation for completeness and accuracy.
- The Assistant Director of Business Services will remediate any necessary changes, and the year end payroll liability will be posted to the District's finance system following approval by the Director of Business Services.

Person(s) Responsible

Thad Lasater, Director of Business Services
Chris Neely, Assistant Director of Business Services

Anticipated Completion Date

The corrective action plan was implemented by the District during fiscal year 2019 prior to 8/31/2019.

College Station Independent School District
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended August 31, 2019

(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 AGRICULTURE			
Child Nutrition Cluster:			
Passed Through State Department of Education - Cash Assistance:			
National School Breakfast Program	10.553	71401801	\$ 65,729
National School Breakfast Program	10.553	71401901	557,640
Total 10.553			623,369
National School Lunch Program	10.555	71301801	246,831
National School Lunch Program	10.555	71301901	2,049,417
Passed Through State Department of Agriculture - Non-Cash Assistance:			
National School Lunch Program	10.555	00122	399,282
Total 10.555			2,695,530
Total Child Nutrition Cluster			3,318,899
TOTAL U.S. DEPARTMENT OF AGRICULTURE			3,318,899
U.S. DEPARTMENT OF LABOR			
WIOA Cluster:			
Passed Through Texas Workforce Commission:			
WIA Dislocated Workers	17.278	1619ATP000	3,950
U.S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education:			
ESEA Title I, Part A - Improving Basic Programs	84.010A	19610101021901	1,624,336
Special Education Cluster (IDEA):			
Passed Through Education Service Center, Region 20:			
Evaluation Capacity Award Grant	84.027A	2265431906022	40,000
Passed Through State Department of Education:			
IDEA - Part B, Formula	84.027A	186600010219016600	392,699
IDEA - Part B, Formula	84.027A	196600010219016600	1,879,003
Total 84.027A			2,311,702
IDEA - Part B, Preschool	84.173A	186610010219016610	9,916
IDEA - Part B, Preschool	84.173A	196610010219016610	28,856
Total 84.173A			38,772
Total Special Education Cluster (IDEA)			2,350,474
Career and Technology - Basic Grant	84.048A	19420006021901	126,003
Title III, Part A - English Language Acquisition and Language Enhancement	84.365A	19671001021901	120,479
ESEA Title II, Part A - Teacher & Principal Training & Recruiting	84.367A	19694501021901	249,177
Summer School LEP	84.369A	69551802	11,265
Title IV - Part A Subpart I	84.424A	19680101021901	104,576
TOTAL U.S. DEPARTMENT OF EDUCATION			4,586,310
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct:			
Head Start - Reg Grant	93.600	06CH711405	2,129,282
Head Start - Reg Grant	93.600	06CH01094301	212,264
Total 93.600			2,341,546
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			2,341,546
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 10,250,705

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

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College Station Independent School District

Notes to the Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of College Station 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 Breakfast and 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.

Note 2. Reconciliation to the Basic Financial Statements

Presented below is a reconciliation of federal revenues:

Total expenditures of federal awards per Exhibit K-1	\$ 10,250,705
General fund - federal revenue:	
School Health and Related Services	<u>3,773,470</u>
Total federal revenues per Exhibit C-2	<u><u>\$ 14,024,175</u></u>

College Station Independent School District
 Schedule of Required Responses to Selected
 School FIRST Indicators (Unaudited)
 For the Fiscal Year Ended August 31, 2019

<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?	Yes
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?	\$ -
SF11	Net pension assets (1920) at fiscal year-end	\$ -
SF12	Net pension liabilities (2540) at fiscal year-end	\$ 38,800,522